

# MOSSEL BAY MUNICIPALITY



## 2019 / 20 ANNUAL FINANCIAL STATEMENTS



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### General Information

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#### Legal form

Category B Local Authority

#### Legislation

The most important legislation governing Mossel Bay Municipality in terms of financial operations are:  
Constitution of the Republic of South Africa, 1996;  
Municipal Finance Management Act, (MFMA) 2003 (Act No. 56 of 2003) and regulations issued in terms of the Act;  
Annual Division of Revenue Act, (DORA) (Act 1 of 2008);  
Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);  
Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005);  
Municipal Structures Act, 1998 (Act No. 117 of 1998) and regulations issued in terms of the Act;  
Municipal Systems Act, 2000 (Act. No. 32 of 2000) and regulations issued in terms of the Act;  
Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and the regulations issued in terms of the Act;  
Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and regulations issued in terms of the Act; and  
Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)  
Property Rates Act (Act 6 of 2004)

This list is however not exhausted.

#### Principal activities

In line with sections 4B and 5B of the Constitution, Mossel Bay Municipality renders the following services within its jurisdiction area:

- Air pollution
- Building regulations
- Child care facilities
- Electricity reticulation
- Firefighting services
- Local Tourism
- Municipal planning
- Municipal public works only in respect of the needs of the Municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law
- Stormwater management systems in built-up areas
- Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems
- Beaches and amusement facilities
- Billboards and the display of advertisements in public places
- Cemeteries, funeral parlours and crematoria
- Cleansing
- Control of public nuisances
- Control of undertakings that sell liquor to the public
- Facilities for the accommodation, care and burial of animals
- Fencing and fences
- Licensing and control of undertakings that sell food to the public
- Local amenities
- Local sport facilities
- Municipal parks and recreation
- Municipal roads
- Noise pollution
- Public places
- Refuse removal, refuse dumps and solid waste disposal
- Street lighting
- Traffic and parking

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **General Information**

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#### **Area of Jurisdiction**

The are demarcated by the Demarcation Board in terms of the Local Government Municipal: Demarcation Act (Act 27 of 1998), including the areas of Boggomsbaai; Brandwacht; Buysplaas; Danabaai; Friemersheim; Glentana; Great Brak River; Hartenbos; Herbertsdale; KwaNonqaba; Little Brak River; Mossel Bay; Rheeboek; Ruiterbos; Sonskynvallei; Tergniet; and Vleesbaai

#### **Demarcation code**

WC043

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### General Information

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#### Mayoral committee:

Executive Mayor Alderman H J Levendal

#### Councillors

Councillor D Kotzé (Deputy Executive Mayor and Chairperson of Corporate Services & Governance Committee)  
Councillor J C Bayman (Chairperson of Planning & Economic Development Committee)  
Councillor N Booisen (Chairperson of Community Services Committee)  
Councillor M Furness (Chairperson of Finance Committee)  
Councillor A Dellemijn (Chairperson of Infrastructure Services Committee)  
Councillor V Fortuin (Chairperson of Socio Economic Development and Tourism Committee)

#### Speaker

Alderman P Terblanche

#### Ward Councillors

1 Clr P Lichaba (ANC)  
2 Clr N Mbolombo (ANC)  
3 Clr W Fipaza (ANC)  
4 Clr A Janse van Rensburg (DA)  
5 Clr A Dellemijn (DA)  
6 Clr M Furness (DA)  
7 Clr B Groenewald (DA)  
8 Clr D Kotzé (DA)  
9 Clr E Meyer (DA)  
10 Ald P Terblanche (DA)  
11 Clr M de Klerk (DA)  
12 Clr W Buda (ANC)  
13 Clr R H Ruiters (DA)  
14 Clr J C Bayman (DA)

#### Proportional Representative Councillors

Clr E Baron (VF+)  
Clr N Bobelo (ANC)  
Clr N Booisen (DA)  
Clr J Bruinders (ANC)  
Clr V Fortuin (DA)  
Clr J Gouws (ACDP)  
Clr D Kamfer (ICOSA)  
Clr M Kannemeyer (DA)  
Ald H Levendal (DA)  
Clr S Mbandezi (ANC)  
Clr T Mvumvu (DA)  
Clr L Rauch (DA)  
Clr J Siyoko (DA)

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **General Information**

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<b>Chief Finance Officer (CFO)</b>	D Asmal CA (S.A.) (2019/07/01 - 2020/03/13) IJ Haarhoff (2020/05/01 - 2020/06/30)
<b>Accounting Officer</b>	Adv MG Giliomee
<b>Registered office</b>	101 Marsh Street Mossel Bay 6506
<b>Postal address</b>	P O Box 25 Mossel Bay 6500
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
<b>Telephone</b>	(044) 606-5000
<b>E-mail</b>	admin@mosselbay.gov.za
<b>Website</b>	<a href="http://www.mosselbay.gov.za">http://www.mosselbay.gov.za</a>

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### Abbreviations:

CDW	Community Development Workers
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DEDAT	Department of Economic Development and Tourism
DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
FMSG	Financial Management Support Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
INEG	Integrated National Electrification Programme Grant
LGSETA	Local Government Sector Education Training Authority
MBM	Mossel Bay Municipality
MDRG	Municipal Disaster Relief Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MCTIG	Financial assistance to Municipality for Maintenance & Construction of Transport Infrastructure Grant
RSEP / VPUU	Regional Socio-Economic Programme / Violence Prevention through Urban Upgrading Programme
SALGA	South African Local Government Association
SEIF	Shared Economic Infrastructure Facility Grant
SIR	Self Insurance Reserve
WIP	Work-in-progress
WSIG	Water Services Infrastructure Grant

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

As per Government Gazette no.43582 dated 5 August 2020, National Treasury has granted municipalities and municipal entities a two-month extension regarding the submission of Annual Financial Statements to the Auditor-General. The municipality has taken advantage of this exemption.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports. Please refer to note 56

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out from page 22, which have been prepared on a going concern basis, were approved by the accounting officer on 31 October 2020 and were signed:

PP



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**Adv MG Giliomee**  
**Accounting Officer**

**Mossel Bay**  
**Saturday, 31 October 2020**



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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#### 1. INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2020 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

#### 2. KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2020 financial year's performance of the Municipality to the 2019 comparative figures:

Ratio Description	2020	2019
<b>Revenue Management</b>		
Level of reliance on Government grants	15,7 %	14,8 %
Actual income vs Budgeted Income	(5,9)%	(0,5)%
<b>Expenditure Management</b>		
Employee related costs to total expenditure	27,9 %	31,1 %
Actual expenditure vs Budgeted expenditure*	(10,7)%	(5,5)%
Finance costs as a percentage of total expenditure	0,6 %	0,5 %
Repairs and Maintenance / PPE (carry amount)	5,1 %	4,8 %
Repairs and Maintenance / Total expenditure	10,4 %	10,0 %
<b>Asset Management</b>		
Actual versus Budgeted	(4,1)%	(18,8)%
Stockholding period (DAYS)	10 days	10 days
<b>Debt Management</b>		
Creditor payment period (DAYS)	50 days	57 days
Debtors collection period (DAYS)	49 days	42 days
<b>Liquidity</b>		
Current ratio	2,30 : 1	2,50 : 1
Acid Test ratio	2,30 : 1	2,40 : 1
Turnover of accounts receivable	9,7 : 1	11,2 : 1
Cash to interest	8,86 : 1	0,63 : 1
Debt to cash	1,10 : 1	1,00 : 1
Cash to Income	0,84 : 1	0,07 : 1
Total Liabilities / Total Assets	0,17 : 1	0,17 : 1

\*The total variance between budgeted and actual amounts is provided as a percentage variance

#### 2.1 Borrowing, funding and reserves policy

The Borrowing, Funds and Reserves policy of Council, makes the measurement of the following ratios compulsory:

##### Finance costs to total expenditure

The approved policy by Council determines that the interest paid to total expenditure may not exceed 5%. The information below provides the measurement of the current year against the results of the previous year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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	2020	2019
<b>Finance cost to total expenditure</b>	<b>0,6 %</b>	<b>0,5 %</b>
Total Finance cost	6 725 678	5 324 474
Total operating expenditure	1 058 178 895	970 809 195

Interest paid to total expenditure is well within the norm of 5%.

Total long term debt to total operating revenue

The approved policy by Council determines that the total long term debt to total operating revenue (excluding conditional grants and transfers) must not exceed 35%. Some housing transactions is viewed as Construction contracts and is excluded from Government grants and subsidies on the Statement of Financial Performance. The information below provides the measurement of the current year against the results of the previous year.

	2020	2019
<b>Total % of long term debt to total operating revenue (excluding conditional grants and transfers)</b>	<b>9,3 %</b>	<b>3,4 %</b>
Total Long-term debt	93 368 382	30 830 781
Total Operating Revenue (excluding conditional grants and transfers)	1 000 627 433	901 880 505

This percentage of long term debt to operating revenue is well within the approved policy of Council of 35%.

#### Cash generation from operating activities

The approved policy by Council determines that the cash generation from operating activities must at least cover the annual loan repayments once. The information below provides the measurement of the current year against the results of the previous year.

	2020	2019
<b>Coverage of Annual loan repayments by cash generated from operating activities (Times)</b>	<b>57</b>	<b>69</b>
Cash generated from operating activities	253 457 073	199 942 591
Annual loan repayments	4 462 399	2 893 606

The Municipality does not have a high reliance on loans, thus the ratio is favourable. The coverage of cash generated from operating activities to the annual loan repayment is well above the norm of 1 time.

#### Percentage of annual loan repayment to total operating expenditure

The approved policy by Council determines that the percentage of total annual loan repayment (Capital and Interest) to total operating expenditure must not be more than 10%. The information below provides the measurement of the current year against the results of the previous year.

	2020	2019
<b>Percentage of annual loan repayment to total expenditure</b>	<b>0,9 %</b>	<b>0,6 %</b>
Annual loan repayments (Interest & capital)	9 370 015	6 262 747
Total Operating expenditure	1 058 178 895	970 809 195

The Municipality does not have a high reliance on loans and thus the amount relating to repayments of loans are low. The percentage of annual loan repayment to total expenditure is well within the norm of 10%.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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#### 2.2 Liquidity policy

The liquidity policy makes the measurement of the following ratios compulsory:

#### Cash/Cost Coverage Ratio

The approved policy by Council determines that the Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants) must be calculated as ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets) and that a coverage of 3 times is acceptable.

	2020	2019
<b>Cash / Cost Coverage ratio (Times)</b>	<b>7,3</b>	<b>6,5</b>
Cash and cash equivalents	530 695 327	435 009 831
Monthly Fixed Operational Expenditure	72 478 488	67 203 865
<b>Cash and cash equivalents</b>		
Petty cash and bank balances	43 026 919	1 104 928
Unspent conditional grants and receipts	(27 487 157)	(26 077 898)
Unspent contract advances	24 366 159	(2 999 365)
Short-term deposits	50 732 936	5 015 719
Short term investments	440 056 470	457 966 447
	530 695 327	435 009 831
<b>Monthly Fixed Operational Expenses</b>		
Total average monthly expenditure for the year	88 181 575	80 900 766
Less:		
Depreciation & Amortisation	(7 666 555)	(6 623 518)
Provision for Bad Debts	(2 307 044)	(1 520 416)
Impairment and loss on disposal of assets	(5 729 488)	(5 552 967)
	72 478 488	67 203 865

The cash/cost coverage ratio is above the norm of 3 times as per liquidity policy and increased from the previous year mainly due to the fact that the average monthly cost increased in proportion.

#### Current ratio

The purpose of this ratio is to measure the municipality's ability to meet its short term commitments.

The approved policy by Council guides that the current ratio should be above 1,5:1. The information below provides the measurement of the current year against the results of the previous year.

	2020	2019
	<b>2,3</b>	<b>2,5</b>
Current assets	704 234 750	603 656 931
Current liabilities	299 921 748	242 414 891

The municipality operates above the norm set by Council. The ratio has slightly deteriorated since the end of the previous year

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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#### 2.3 Other ratio's of importance

##### a) Debtors collection period in days

This ratio reflects the collection period. The debtor days refers to the average number of days required for the municipality to receive payment from its customers for bills/invoices issued to them for services. The ratio is also a good indication of the effectiveness of credit control procedures within the municipality. If the ratio is above the norm, it indicates that the municipality is exposed to significant cash flow risk. This is also an indication that the municipality is experiencing challenges in the collection of outstanding amounts due to it. In addition, this indicates that a significant amount of potential cash is tied up in consumer debtors and the municipality must improve revenue and cash flow management.

The norm is 30 days. The information below provides the measurement of the current year against the results of the previous year.

	2020	2019
<b>Debtors collection period (days)</b>	<b>48,6</b>	<b>41,9</b>
Consumer debtors * 365	41 980 595 998	31 981 500 976
Rates revenue + Services revenue + Debtors income	863 453 434	764 058 987

The municipality operates outside the norm. The collection period in days has slightly declined measured against the result of the previous financial year.

The effect of credit control relaxation as a result of COVID-19 can be observed here.

##### b) Level of reliance on government grants

The ratio measures the extent to which the municipality's expenditure is funded through government grants and subsidies.

No norm is proposed at this time by National Treasury. It must be mentioned that National Treasury does promote a healthy balance of funding sources.

The information below provides the measurement of the current year against the results of the previous year. It must be noted that some Housing transactions is classified as Construction contracts and is excluded from Government grants and subsidies on the Statement of Financial Performance.

	2020	2019
<b>Level of reliance on government grants</b>	<b>15,7 %</b>	<b>14,8 %</b>
Government grants and subsidies	186 787 898	156 132 440
<b>Total revenue</b>	<b>1 187 415 331</b>	<b>1 058 012 945</b>

The results indicates that the municipality is not overly dependent on grant funding to run its normal operations.

##### c) Implementation of the capital program

This ratio measures the extent to which budgeted capital expenditure has been spent during the financial year under review. Further, this ratio measures the municipality's ability to implement capital projects and monitor the risks associated with non-implementation. The ratio also assesses whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. Any variance above 5% indicates discrepancies in planning and budgeting which should be investigated and corrective measures implemented. Under-spending is also an indicate that the municipality might be experiencing possible cash flow difficulties to implement projects. Ideally, under-spending should be the result of improved efficiencies and not as a result of non-implementation of programs and/or projects. Overspending may also indicate inaccurate budgeting or poor financial management control.

The norm range between a 0% and 5% variance.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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The information below provides the measurement of the current year against the results of the previous year.

	2020	2019
<b>Actual versus Budgeted Capital Expenditure</b>	<b>(4,1)%</b>	<b>(18,8)%</b>
Actual capital expenditure - Budgeted capital expenditure	(10 316 132)	(38 634 686)
Budgeted Capital Expenditure	252 355 723	205 748 046

The municipality is functioning inside the norm. The main reasons for underspending on capital expenditure are due to housing project progress delays caused by the COVID-19 lockdown and alert levels. It must also be noted that the ratio appears to be very good, but is inflated by the Landfill provision adjustments due to the increase in the Landfill site.

#### **d) Implementation: Operational Revenue**

This ratio measures the extent of actual operating revenue (excluding Capital Grant Revenue) received in relation to budgeted operating revenue during the financial year, under review. A ratio outside the norm indicates either a challenge in capacity to implement, ineffective billing and credit control, weakness in compilation of budgets or issues of financial controls and management of the municipality.

The norm range between a 0% and 5% variance.

The information below provides the measurement of the current year against the results of the previous year.

	2020	2019
<b>Actual revenue vs Budgeted revenue</b>	<b>(5,9)%</b>	<b>(0,5)%</b>
Actual revenue - Budgeted revenue	(74 352 025)	(4 935 421)
Budgeted revenue	1 261 767 356	1 062 948 361

The municipality is functioning slightly outside the norm. The effect of COVID19 pandemic and the Rebates granted by the Municipality, together with lower consumptions trends can be observed here.

#### **e) Implementation: Operational Expenditure**

This ratio measures the extent to which budgeted operating expenditure has been spent during the financial year, under review. The ratio also assesses whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. Any variance outside the norm either indicate a challenge in capacity to implement, issues of financial controls and management and / or poor budgeting.

The norm range between a 0% and 5% variance.

The information below provides the measurement of the current year against the results of the previous year.

	2020	2019
<b>Actual operating expenditure vs Budgeted operating expenditure</b>	<b>(10,7)%</b>	<b>(5,5)%</b>
Actual expenditure - Budgeted expenditure	(126 996 410)	(55 884 282)
Budgeted expenditure	1 185 175 303	1 022 348 638

The municipality is functioning outside the norm. The main reason for under-spending on the operating expenditure budget are the slow progress on expenditure on top structures.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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#### 3. LIQUIDITY POSITION OF THE MUNICIPALITY

There are two main liquidity ratios that can be used to analyse the liquidity position of the municipality, namely the Current and Acid Test ratios. There are various other ratios that can be utilised to assess the municipality's liquidity position.

The calculations of these ratios is as follows:

Ratio Description	Formula	2020	2019
Current ratio	Current assets	704 234 750	603 656 931
	Current liabilities	299 921 748 <b>2,3</b>	242 414 891 <b>2,5</b>
Acid Test Ratio	Current assets - Inventory	685 140 747	586 062 008
	Current liabilities	299 921 748 <b>2,3</b>	242 414 891 <b>2,4</b>
Turnover of accounts receivable	Revenue (credit)	1 117 614 911	981 781 795
	Accounts receivable	115 015 332 <b>9,7</b>	87 620 551 <b>11,2</b>
Debt to cash	Total liabilities	613 305 560	477 891 838
	Cash balance at the end of the period	533 816 324 <b>1,1</b>	464 087 094 <b>1,0</b>

The above ratios show that the municipality is in a liquid position, with current assets of double the current liabilities. The Turnover of accounts receivable ratio for the year under review slightly declined compared to the previous year. The municipality generates 9,7 times more revenue than what the outstanding accounts are.

The following information shows the history of the current year ratio for the municipality

	2015	2016	2017	2018	2019	2020
Current ratio	2,4	2,7	2,5	2,7	2,5	2,3

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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#### 4. COVID-19 EXPENDITURE

##### Background information

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID-19 outbreak as a global pandemic on 11th March 2020.

##### Covid-19 in South Africa

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

Thus, there will not be any prior year information regarding expenditure in lieu of Covid-19.

The information below indicates the total Covid-19 response expenditure (excluding VAT) for the period ending 30 June 2020:

	2020	2019
<b>COVID-19 Expenditure</b>		
<b>Capital Expenditure</b>		
Machinery and Equipment	236 686	-
<b>Total Capital Expenditure</b>	236 686	-
<b>Operating Expenditure</b>		
Inventory consumed - Consumables	2 158 358	-
General exp - External computer services	60 235	-
General exp - Postage and Courier	11 383	-
Contracted services - outsourced - Hygiene services	294 775	-
Contracted services - outsources - Catering	17 922	-
Employee related costs - Overtime	439 163	-
Employee related costs - Standby	96 221	-
Employee related costs - Protective clothing	347 187	-
	<b>3 661 930</b>	<b>-</b>

The information below indicates the Funding sources for the total Covid-19 response expenditure (excluding VAT) for the period ending 30 June 2020:

	2020	2019
<b>Funding sources of COVID-19 exp</b>		
Capital Replacement Reserve	236 686	-
Own Revenue	2 460 704	-
Public contributions	97 440	-
Disaster Management Grant	268 000	-
Local Government Support Grant	599 100	-
	<b>3 661 930</b>	<b>-</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

#### 5. OPERATING RESULTS

##### Summary of results

Details of the operating results per segmental classification are included in the supplementary information while operational results per category, together with an explanation of significant variances of more than 10 per cent from the final budget, are included in the Statement of Comparison of Budget and Actual amounts.

These amounts are based on the total position of the municipality (including non-cash transactions):

Revenue	Actual 2020	Actual 2019	Variance	Adjusted budget 2020	Variance
Operating surplus / (deficit)	2 634 607 587	2 617 437 875	0,7 %	-	-
Operating income for the year	1 187 415 331	1 058 012 945	12,2 %	1 261 767 356	(5,9)%
Appropriations for the year	(17 090 877)	(71 378 712)	-	-	-
	<b>3 804 932 041</b>	<b>3 604 072 108</b>	<b>5,6 %</b>	<b>1 261 767 356</b>	

Expenditure	Actual 2020	Actual 2019	Variance	Adjusted budget 2020	Variance
Operating expenditure for the year	1 058 178 895	970 809 195	9,0 %	1 185 175 303	(10,7)%
Gains/Losses for the year	(17 671 526)	1 344 675	(1 414)%	(22 698 547)	(22)%
	<b>1 040 507 369</b>	<b>972 153 870</b>	<b>7,0 %</b>	<b>1 162 476 756</b>	

The accumulated surplus at 30 June 2020 amounted to R2 729 million. The accumulated surplus of R2 635 million at 30 June 2019 was restated with previous year corrections. Refer to note 47 for more detail.

The operating income increased by 12,2% to R1187,4 million from the previous financial year's income of R1058,0 million. The operating expenditure increased by 9,0% to R1058,2 million.

The municipality's financial statements ended on a surplus of R111,6 million for the year.

##### Operating revenue and expenditure

The following information indicates the municipality's major revenue sources for the year under review compared to the prior year:

Service area	2020	2019
Service charges	60,2 %	60,4 %
Construction contracts	2,6 %	1,0 %
Rental of facilities and equipment	0,6 %	0,5 %
Agency services - Provincial Traffic	0,5 %	0,6 %
Interest received - outstanding debtors	0,2 %	0,2 %
Interest received - external investments	3,7 %	4,0 %
Other income	2,1 %	3,2 %
Property rates	12,3 %	11,6 %
Government grants & subsidies recognised	15,7 %	14,8 %
Public contributions and donations	0,4 %	1,9 %
Fines, Penalties and Forfeits	1,4 %	1,6 %
	<b>100 %</b>	<b>100 %</b>



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

The information below indicates the municipality's major types of expenditure for the year compared to the previous year:

<b>Operating expenditure as a percentage of total expenditure</b>	<b>2020</b>	<b>2019</b>
Employee related costs	27,9 %	31,1 %
Remuneration of councillors	1,1 %	1,2 %
Depreciation, amortisation and asset impairment	8,7 %	8,2 %
Bad debts written off	2,62 %	1,88 %
Finance costs	0,6 %	0,5 %
Bulk purchases	31,5 %	30,1 %
Contracted services	15,5 %	14,1 %
Inventory consumed	6,5 %	6,9 %
General Expenses	5,0 %	5,5 %
Transfers and subsidies paid	0,5 %	0,6 %
	<b>100 %</b>	<b>100 %</b>

#### 6. CAPITAL EXPENDITURE AND FINANCE

The capital expenditure for the year as stated in the financial statements amounted to R242 039 591 and is broken down as follows:

<b>Service area</b>	<b>2020</b>		<b>2019</b>	
Community services / facilities	14 067 858	5,8 %	12 657 090	7,6 %
Electricity	28 786 383	11,9 %	27 708 647	16,6 %
Housing	15 291 396	6,3 %	5 684 685	3,4 %
Refuse	37 522 822	15,5 %	10 073 348	6,0 %
Sanitation	38 902 849	16,1 %	34 714 566	20,8 %
Streets and Storm water	42 455 952	17,5 %	43 731 793	26,2 %
Water	52 146 557	21,5 %	18 338 440	11,0 %
Other	12 865 774	5,3 %	14 204 791	8,5 %
	<b>242 039 591</b>	<b>100 %</b>	<b>167 113 360</b>	<b>100 %</b>

The capital expenditure was financed as follows:

<b>Sources of finance</b>	<b>2020</b>		<b>2019</b>	
Capital Replacement Reserve	127 668 231	52,7 %	84 972 280	50,8 %
Self Insurance Reserve	- 432 313	0,2 %	-	- %
Grants and Subsidies	50 170 891	20,7 %	40 834 118	24,4 %
Public Contributions	3 825 428	1,6 %	22 334 612	13,4 %
External loans	59 942 728	24,8 %	18 972 350	11,4 %
	<b>242 039 591</b>	<b>100 %</b>	<b>167 113 360</b>	<b>100 %</b>

Property, plant and equipment is funded to a large extent from the Capital Replacement Reserve.

#### 7. FINANCIAL SUSTAINABILITY

Financial sustainability refers to financial accounts which reflect sufficient revenue and adequate corporate stability in order to fund and deliver on service delivery and performance targets. Following are information on various financial ratios that show the past 9 years' information, the current year information and 3 budget years' information.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

	Liquidity	Liquidity	Activity	Solvency	Cash Flow	Cash Flow
	Current ratio	Debtors payment period (days)	Inventory turnover ratio	Total assets to liabilities	Current liabilities coverage	Capital expenditure coverage
2011	1,70	35	15,00	7,70	1,50	1,08
2012	2,29	30	10,00	5,73	0,60	0,67
2013	2,27	24	9,00	6,31	0,98	1,09
2014	2,35	26	26,00	7,53	0,98	1,30
2015	2,39	51	20,00	7,36	1,05	1,60
2016	2,66	12	13,00	7,63	0,99	1,22
2017	2,50	20	18,00	7,45	0,96	1,41
2018	2,70	41	30,00	7,67	0,72	1,11
2019	2,50	42	10,00	6,92	0,82	1,18
2020	2,30	49	10,00	5,82	0,85	1,05
2021 (budget)	2,80	16	15,00	5,99	(0,14)	(0,17)
2022 (budget)	2,46	16	14,00	5,72	0,23	0,26
2023 (budget)	2,25	18	13,00	5,52	0,49	0,70

	Debt ratio	Income & Expenditure Trends	Income & Expenditure Trends	Income & Expenditure Trends	Income & Expenditure Trends
	Debt to cash	Government Grants as % of Revenue	Employee related cost as % of expenditure	Repairs & maintenance as % of expenditure	Debt impairment cost as % of expenditure
2011	1,40	25,70	27,40	4,90	3,20
2012	1,72	14,60	26,20	6,20	2,90
2013	1,70	16,50	30,60	6,00	2,40
2014	1,30	15,00	30,10	5,40	4,50
2015	1,19	15,80	29,20	5,40	4,80
2016	1,12	15,60	28,90	6,50	3,50
2017	1,00	15,50	26,69	9,50	3,00
2018	1,00	16,70	30,00	10,12	2,00
2019	1,00	14,80	31,10	10,04	1,88
2020	1,10	15,70	27,90	10,44	2,62
2021 (budget)	0,85	19,29	28,24	10,20	6,48
2022 (budget)	1,34	20,92	27,36	9,88	4,78
2023 (budget)	1,59	18,00	28,07	10,15	3,59

#### 8. CAPITAL REPLACEMENT RESERVE

The Capital Replacement Reserve balance as at 30 June 2020 amounted to R127 673 016 (R145 942 083 as at 30 June 2019).

The Capital Replacement Reserve is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital program.

Refer to the Statement of Changes in Net Assets for more detail.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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#### 9. EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2020 the external loans amounted to R93 368 382 (R30 830 781 on 30 June 2019). The municipality has taken up loans to the amount of R 67 000 000 and repaid loans to the amount of R4 462 399 during the year.

The municipality's cashbook showed a positive balance of R43 003 459 (R1 081 468 on 30 June 2019) and Petty Cash to the amount of R23 460 (R23 460 on 30 June 2019) on 30 June 2020. The external investments shorter than 3 months amounted to R50 732 936 against the R5 015 719 of the previous year. The Short term investments longer than 3 months but shorter than 12 months amounted to R440 056 469 against the R457 966 447 of the previous year. The municipality also has a long term investment of R60 000 000 as at 30 June 2020.

More particulars regarding external loans and investments appear in Notes 17, 10, 11 and 18 of the Annual Financial Statements, as well as in the Supplementary Information.

#### 10. PROVISIONS

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Provisions amounted to R102 730 365 as at 30 June 2020 (R73 846 421 as at 30 June 2019) and are made up as follows:

	<b>2020</b>	<b>2019</b>
Rehabilitation of Landfill Sites	102 730 365	73 846 421

Refer to Note 21 of the Annual Financial Statements for more detail.

#### 11. LIQUIDITY REQUIREMENTS

The information below shows the allocation of the investment portfolio toward the funding of various obligations:

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**  
**Chief Financial Officer's Report**

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	2020	2019
<b>Liquidity Requirement Calculation (as stipulated in paragraph 4)</b>		
All earmarked and / or conditional grants received but not yet utilised	27 487 157	26 077 898
All earmarked and / or construction contracts revenue received but not yet utilised	24 366 159	(2 999 365)
Value of the provisions held in cash for the rehabilitation of landfill sites to the extent that these funds are required within the following 5 years	102 730 365	73 846 421
Value of legally entrenched short term rights and benefits of employees related to medical benefits and retirement benefits	38 126 535	31 419 589
Unspent Loan Funds	-	-
Funds held for agency services not yet performed	-	-
Reserve funds reflected in Statement of Financial Position that are assumed to be held in cash:		
- Capital Replacement Reserve	127 673 016	145 942 083
- Self Insurance Reserve	99 645 872	64 285 928
Capital redemption and interest payments on external loans not reflected as part of normal operating expenditure	15 955 951	6 856 249
1 months operational expenditure excluding non-cash items	72 478 488	67 203 865
Consumer deposits	30 002 506	27 286 555
Other Deposits and Other Advance Payments		
- Retentions	17 891 133	10 762 668
- Payments received in advance	29 491 540	31 302 707
- Other deposits	5 054 239	4 567 218
Non-current deposit: Pavilion	309 769	299 151
Reserve funds for Landfill site provision	15 000 000	15 000 000
<b>Total liquidity requirements</b>	<b>606 212 730</b>	<b>501 850 967</b>

**Actual available liquidity held (reference paragraph 4)**

Bank balances at e.g.		
- ABSA, FNB, Standard Bank, Nedbank, Investec, Money Market		
Bank balances sub total	43 026 919	1 104 928
95% of all other term deposits with banks	48 196 289	4 764 933
95% of all Short term investments with banks	418 053 647	435 068 125
95% of all Long term investments with banks	57 000 000	45 600 000
Consumer debtors (current)	44 887 469	38 439 685
Other reserves held in cash not reflected in bank balances mentioned above for e.g.		
- Unspent conditional grants	-	-
- Payments received for agency functions not yet performed	-	-
- The cash value of reserves held	-	-
- Cash deposits held as part of loan covenant ceded	-	-
- Undrawn bank overdraft facility of committed liquidity lines available	-	-
<b>Total liquidity available</b>	<b>611 164 324</b>	<b>524 977 671</b>

<b>Liquidity surplus / (shortfall)</b>	<b>4 951 594</b>	<b>23 126 704</b>
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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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#### 12. EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The employee benefits liability amounted to R166 087 024 as at 30 June 2020 (R169 290 097 as at 30 June 2019) and is made up as follows:

	2020	2019
Post-Employment Health Care Benefits	117 276 000	127 035 000
Ex-Gratia Gratuities	1 385 947	1 469 411
Long Service Awards	18 129 000	17 150 533
Employee overtime / standby allowance accrual	1 635 622	1 373 691
Employee bonus accrual	7 777 806	6 924 683
Staff leave accrual	18 838 114	14 394 799
Performance bonus accrual	1 044 535	941 980
	<u>166 087 024</u>	<u>169 290 097</u>

Refer to Note 20 of the Annual Financial Statements for more detail.

#### 13. CURRENT LIABILITIES

Current liabilities are those liabilities of the municipality due and payable in the short term (less than 12 months). No indication is found that the municipality would be unable to meet its obligations. Current liabilities amounted to R275 555 587 as at 30 June 2020 (R242 414 891 as at 30 June 2019) and are made up as follows:

		2020	2019
Other financial liabilities	Note 18	11 048 478	3 487 949
Finance lease obligation	Note 19	-	4 197
Employee benefit obligation	Note 20	38 126 535	31 419 589
Provisions	Note 21	1 987 686	2 736 549
Unspent conditional grants and receipts	Note 22	27 487 157	26 077 898
Consumer deposits	Note 23	30 002 506	27 286 555
Payables from exchange transactions	Note 24	166 903 225	151 402 154
		<u>275 555 587</u>	<u>242 414 891</u>

#### 14. CURRENT ASSETS

Current assets amounted to R704 234 750 as at 30 June 2020 (R603 656 931 as at 30 June 2019) and is made up as follows:

		2020	2019
Inventories	Note 3	19 094 004	17 594 923
Construction contracts and receivables	Note	-	2 999 366
Current portion of Long term receivables	Note 5	461 430	457 040
Receivables from exchange transactions	Note 6	108 449 445	82 104 773
Receivables from non-exchange transactions	Note 7	33 457 746	26 700 859
VAT	Note 9	8 955 800	9 712 876
Short term Investments	Note 10	440 056 470	457 966 447
Cash and cash equivalents	Note 11	93 759 855	6 120 647
		<u>704 234 750</u>	<u>603 656 931</u>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Chief Financial Officer's Report

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#### 15. TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

The net balance of trade and other receivables from exchange transactions is indicated below:


	2020	2019	Variance
Electricity	46 440 716	41 790 060	11,13 %
Water	22 849 102	17 078 505	33,79 %
Sewerage	13 379 540	6 751 120	98,18 %
Refuse	12 108 853	5 541 250	118,52 %
Land sales	643	230	179,57 %
Housing selling schemes	46 733	14 716	217,57 %
Housing rental	12 428	12 613	(1,47)%
Other (merchandising, jobbing, contracts and service charges)	5 654 158	5 705 421	(0,90)%
Payments made in advance	7 957 272	5 210 858	52,71 %
	<b>108 449 445</b>	<b>82 104 773</b>	<b>32,09 %</b>

The net balance of receivables from non-exchange transactions is indicated below:

	2020	2019	Variance
Fines	1 482 143	4 028 530	(63,2)%
Consumer debtors - Rates	14 523 157	10 726 636	35,4 %
Other	17 452 447	11 945 693	46,1 %
	<b>33 457 747</b>	<b>26 700 859</b>	<b>25,3 %</b>

#### 16. EXPRESSIONS OF APPRECIATION

I am grateful to the Executor Mayor, Executor Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for their unwavering support and guidance extended during the financial year. I also extend a special word of thanks and appreciation to all staff who assisted with the preparation of the year end information, specifically the staff of the Budget and Treasury Office. Without their focussed efforts, contributions and assistance, the preparation of these financial statements would not have been possible.



CHIEF FINANCIAL OFFICER

31 October 2020

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Statement of Financial Position as at 30 June 2020**

Figures in Rand	Notes	2020 R	2019 Restated* R
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories	3	19 094 004	17 594 923
Unpaid construction contract advances	4	-	2 999 366
Long-term receivables	5	461 430	457 040
Receivables from exchange transactions	6	108 449 445	82 104 773
Receivables from non-exchange transactions	7	33 457 746	26 700 859
VAT receivable	9	8 955 800	9 712 876
Short-term investments	10	440 056 470	457 966 447
Cash and cash equivalents	11	93 759 855	6 120 647
		<b>704 234 750</b>	<b>603 656 931</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	2 155 891 736	2 040 491 819
Investment property	13	644 006 348	628 212 819
Intangible assets	14	995 179	467 376
Heritage assets	15	4 225 599	4 225 599
Long-term receivables	5	38 601	495 709
Operating lease asset	16	313 855	176 552
Investments	17	60 000 000	48 000 000
		<b>2 865 471 318</b>	<b>2 722 069 874</b>
<b>TOTAL ASSETS</b>		<b>3 569 706 068</b>	<b>3 325 726 805</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Other financial liabilities	18	11 048 478	3 487 949
Finance lease obligation	19	-	4 197
Employee benefit obligation	20	38 126 535	31 419 589
Provision	21	1 987 686	2 736 549
Unspent conditional grants and receipts	22	27 487 157	26 077 898
Unspent construction contract advances	4	24 366 159	-
Consumer deposits	23	30 002 506	27 286 555
Payables from exchange transactions	24	166 903 225	151 402 154
		<b>299 921 748</b>	<b>242 414 891</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	18	82 319 904	27 342 832
Finance lease obligation	19	-	-
Operating lease liability	16	2 050 971	1 853 952
Employee benefit obligation	20	127 960 489	137 870 508
Provision	21	100 742 679	71 109 872
Non-current deposits	25	309 769	299 151
		<b>313 383 812</b>	<b>238 476 315</b>
<b>TOTAL LIABILITIES</b>		<b>613 305 560</b>	<b>480 891 206</b>
<b>NET ASSETS</b>			
Self-insurance reserve	26	99 645 872	64 285 928
Capital replacement reserve	27	127 673 016	145 942 083
Accumulated surplus		2 729 081 620	2 634 607 588
<b>TOTAL NET ASSETS</b>		<b>2 956 400 508</b>	<b>2 844 835 599</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Statement of Financial Performance

Figures in Rand	Notes	2020 R	2019 Restated* R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Service charges	28	714 429 301	639 133 911
Construction contracts	4	30 935 456	10 303 612
Rental of facilities and equipment	29	6 549 893	5 654 886
Agency services - Provincial Traffic		6 151 183	6 781 280
Interest received - outstanding debtors		2 734 452	1 784 302
Interest received - external investments	30	44 518 087	42 700 038
Other income	31	25 282 332	33 531 108
<b>Total revenue from exchange transactions</b>		<b>830 600 704</b>	<b>739 889 137</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	32	146 289 681	123 140 774
Interest earned - outstanding property rates		447 294	281 454
Licences and Permits		1 074 009	1 332 247
<b>Transfer revenue</b>			
Government grants & subsidies recognised	33	186 787 898	156 132 440
Public contributions and donations	34	5 139 216	20 530 615
Fines, Penalties and Forfeits	35	17 076 529	16 706 278
<b>Total revenue from non-exchange transactions</b>		<b>356 814 627</b>	<b>318 123 808</b>
		-	-
<b>TOTAL REVENUE</b>		<b>1 187 415 331</b>	<b>1 058 012 945</b>
<b>EXPENDITURE</b>			
Employee related costs	36	295 682 916	301 479 728
Remuneration of councillors	37	11 898 611	11 483 339
Depreciation, amortisation and asset impairment	38	91 998 655	79 482 220
Bad debts written off	39	27 684 530	18 244 993
Finance costs	40	6 725 678	5 324 474
Bulk purchases	41	332 910 114	292 284 876
Contracted services	42	163 905 466	136 711 286
Transfers and subsidies paid	43	5 573 010	6 085 011
Inventory consumed	44	68 753 854	66 635 605
General Expenses	45	53 046 061	53 077 663
<b>TOTAL EXPENDITURE</b>		<b>1 058 178 895</b>	<b>970 809 195</b>
<b>Operating surplus / (deficit)</b>		<b>129 236 436</b>	<b>87 203 750</b>
Gain / (loss) on disposal of assets and liabilities		(10 907 718)	1 447 573
Inventories losses / write-downs		(6 080 832)	(4 447 727)
Reversal of impairment loss / (Impairment loss) on receivables	39	(682 976)	4 344 829
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>111 564 910</b>	<b>88 548 425</b>



**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Statement of Changes in Net Assets**

Figures in Rand	Self-insurance reserve R	Capital replacement reserve R	Total reserves R	Accumulated surplus / (deficit) R	Total net assets R
Opening balance as previously reported	-	138 849 299	138 849 299	2 673 977 687	2 812 826 986
Adjustments					
Prior year adjustments (Note 47)	-	-	-	(56 539 812)	(56 539 812)
<b>Balance at 01 July 2018 as restated*</b>	<b>-</b>	<b>138 849 299</b>	<b>138 849 299</b>	<b>2 617 437 875</b>	<b>2 756 287 174</b>
Changes in net assets					
Surplus for the year	-	-	-	88 548 425	88 548 425
Transfer to Self-insurance reserve	64 285 928	-	64 285 928	(64 285 928)	-
- Contributions from operating account and other contributions	-	77 978 064	77 978 064	(77 978 064)	-
- External services contribution	-	7 003 888	7 003 888	(7 003 888)	-
- Land sales contribution	-	4 520 319	4 520 319	(4 520 319)	-
Less: Expenditure: Funding Capital Projects	-	(82 409 487)	(82 409 487)	82 409 487	-
Total changes	64 285 928	7 092 784	71 378 712	17 169 713	88 548 425
Opening balance as previously reported	64 285 928	145 942 083	210 228 011	2 630 192 767	2 840 420 778
Adjustments					
Prior year adjustments (Note 47)	-	-	-	4 414 820	4 414 820
<b>Balance at 01 July 2019 as restated*</b>	<b>64 285 928</b>	<b>145 942 083</b>	<b>210 228 011</b>	<b>2 634 607 587</b>	<b>2 844 835 598</b>
Changes in net assets					
Surplus for the year	-	-	-	111 564 910	111 564 910
Transfer to Self-insurance reserve	35 359 944	-	35 359 944	(35 359 944)	-
- Contributions from operating account and other contributions	-	96 303 959	96 303 959	(96 303 959)	-
- External services contribution	-	7 068 553	7 068 553	(7 068 553)	-
- Land sales contribution	-	6 026 652	6 026 652	(6 026 652)	-
Less: Expenditure: Funding Capital Projects	-	(127 668 231)	(127 668 231)	127 668 231	-
Total changes	35 359 944	(18 269 067)	17 090 877	94 474 033	111 564 910
<b>Balance at 30 June 2020</b>	<b>99 645 872</b>	<b>127 673 016</b>	<b>227 318 888</b>	<b>2 729 081 620</b>	<b>2 956 400 508</b>
Notes	26	27			

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Cash Flow Statement

Figures in Rand	Notes	2020 R	2019 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		215 562 681	142 438 064
Interest income		41 487 894	40 013 036
Ratepayers and Service charges		832 974 052	751 440 250
Other		87 670 569	73 537 478
		<u>1 177 695 196</u>	<u>1 007 428 828</u>
<b>Payments</b>			
Employee costs		(283 708 082)	(275 637 196)
Suppliers		(556 494 459)	(457 721 789)
Transfers and grants		(5 573 010)	(6 085 011)
Other Payments		(78 462 572)	(68 042 241)
		<u>(924 238 123)</u>	<u>(807 486 237)</u>
<b>Net cash flows from operating activities</b>	46	<b><u>253 457 073</u></b>	<b><u>199 942 591</u></b>
<b>Cash flows from investing activities</b>			
Purchase of capital assets	12	(238 214 163)	(149 848 841)
Proceeds from sale of property, plant and equipment	12	5 431 061	759 835
Proceeds from sale of investment property	13	535 766	3 555 676
(Increase) / Decrease in Long-term Receivables		177 752	42 255
(Increase) / Decrease in Non-current investments		(12 000 000)	(12 000 000)
(Increase) / Decrease in short-term investments		17 909 977	(46 067 036)
<b>Net cash flows from / (in) investing activities</b>		<b><u>(226 159 607)</u></b>	<b><u>(203 558 111)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		67 000 000	-
Repayment of other financial liabilities		(4 462 398)	(2 893 605)
Movement in consumer deposits		2 715 952	1 662 329
Proceeds / (Repayment) of finance lease liabilities		(4 196)	(12 943)
Finance costs		(4 907 616)	(3 369 140)
<b>Net cash flows from / (in) financing activities</b>		<b><u>60 341 742</u></b>	<b><u>(4 613 359)</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b><u>87 639 208</u></b>	<b><u>(8 228 879)</u></b>
Cash and cash equivalents		6 120 647	14 349 526
<b>Cash and cash equivalents at the end of the year</b>	11	<b><u>93 759 855</u></b>	<b><u>6 120 647</u></b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>						
<b>REVENUE</b>						
<b>Revenue from exchange transactions</b>						
Service charges	728 452 596	(1 943 671)	726 508 925	714 429 301	(12 079 624)	Under collection of R6.7m Sanitation charges and R1.8m Water and R6.7m less Prepaid electricity sales.
Construction contracts	-	-	-	30 935 456	30 935 456	Budget for Construction contracts included under Grants revenue. Underspending of Human Settlement Development Grant - Housing Topstructure projects. Multi-year projects. Approval has been received to roll-over funds to next financial year.
Rental of facilities and equipment	6 133 126	112 124	6 245 250	6 549 893	304 643	
Agency services - Provincial Traffic	6 300 000	186 142	6 486 142	6 151 183	(334 959)	
Interest received - outstanding debtors	1 754 830	782 570	2 537 400	2 734 452	197 052	
Interest received - external investment	39 150 000	3 201 037	42 351 037	44 518 087	2 167 050	Conservative budget approach due to impact of COVID19. Cash availability for re-investment was better than anticipated.
Other income	28 370 865	(2 633 623)	25 737 242	25 282 332	(454 910)	
<b>Total revenue from exchange transactions</b>	<b>810 161 417</b>	<b>(295 421)</b>	<b>809 865 996</b>	<b>830 600 704</b>	<b>20 734 708</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	138 873 730	6 895 728	145 769 458	146 289 681	520 223	
Interest earned - outstanding property rates	328 600	109 400	438 000	447 294	9 294	
Licenses and Permits	1 201 058	29 612	1 230 670	1 074 009	(156 661)	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
<b>Transfer revenue</b>						
Government grants and subsidies received	232 989 323	56 279 310	<b>289 268 633</b>	186 787 898	<b>(102 480 735)</b>	Budget for Construction contracts revenue is included in this budget. Underspending of Human Settlement Development Grant - Housing Infrastructure projects. Multi-year projects. Approval has been received to roll-over funds to next financial year.
Public contributions and donations	1 023 115	190 037	<b>1 213 152</b>	5 139 216	<b>3 926 064</b>	The donated circle to the value of R2.4m at Curro School was not provided for when the final adjustment budget was compiled.
Fines, Penalties and Forfeits	15 361 618	(1 380 171)	<b>13 981 447</b>	17 076 529	<b>3 095 082</b>	Better than expected collection rate on Traffic fines.
<b>Total revenue from non-exchange transactions</b>	<b>389 777 444</b>	<b>62 123 916</b>	<b>451 901 360</b>	<b>356 814 627</b>	<b>(95 086 733)</b>	
<b>TOTAL REVENUE</b>		<b>1 199 938 861</b>	<b>61 828 495</b>	<b>1 261 767 356</b>	<b>1 187 415 331</b>	<b>(74 352 025)</b>
<b>EXPENDITURE</b>						
Employee related costs	(336 506 139)	2 859 779	<b>(333 646 360)</b>	(295 682 916)	<b>37 963 444</b>	An Actuarial valuation gain of R17.3 million was recognised for the year, which was not provided for in the budget. Vacant positions is also a contributor to this saving.
Remuneration of councillors	(12 206 787)	321 825	<b>(11 884 962)</b>	(11 898 611)	<b>(13 649)</b>	
Depreciation, amortisation and asset impairment	(96 612 451)	779 568	<b>(95 832 883)</b>	(91 998 655)	<b>3 834 228</b>	More projects were unbundled/completed during the year than anticipated.
Bad debts written off	(11 755 100)	(21 305 900)	<b>(33 061 000)</b>	(27 684 530)	<b>5 376 470</b>	A savings on Bad debt write-offs of Traffic fines.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
Finance costs	(20 192 600)	11 830 089	<b>(8 362 511)</b>	(6 725 678)	<b>1 636 833</b>	Budgeted for R3m for interest costs on non-current provisions of which only R1.8m realised.
Bulk purchases	(330 325 754)	5 125 754	<b>(325 200 000)</b>	(332 910 114)	<b>(7 710 114)</b>	The final adjustment budget was reduced in line with expected usage due to the COVID pandemic. It was based on a level 5 lockdown, which then provided that not all businesses will use electricity. Higher usage than expected.
Contracted Services	(180 662 842)	(47 080 850)	<b>(227 743 692)</b>	(163 905 466)	<b>63 838 226</b>	Mainly due to underspending of Human Settlement Development Grant - Housing Topstructure projects. There were also savings due to the COVID pandemic national lockdown and services could not be rendered.
Transfers and Subsidies paid	(6 105 852)	(202 185)	<b>(6 308 037)</b>	(5 573 010)	<b>735 027</b>	
Inventory consumed	(74 742 480)	(3 380 678)	<b>(78 123 158)</b>	(68 753 854)	<b>9 369 304</b>	Mainly due to savings due to the COVID pandemic national lockdown and services could not be rendered (Street repairs, Cleaning/Clearing infrastructure, repairs to meters, etc).
General Expenses	(70 691 724)	5 679 024	<b>(65 012 700)</b>	(53 046 059)	<b>11 966 641</b>	Mainly due to savings due to the COVID pandemic national lockdown (R412 000 Travel and Subsistence, R2.8m Dumping fees, R3.1m Software licences and Other computer services, R520 000 Advertising costs, R533 000 Communication costs, etc)
<b>TOTAL EXPENDITURE</b>	<b>(1 139 801 729)</b>	<b>(45 373 574)</b>	<b>(1 185 175 303)</b>	<b>(1 058 178 893)</b>	<b>126 996 410</b>	

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Statement of Comparison of Budget and Actual Amounts**

**Budget on Accrual Basis**

	<b>Approved budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reasons for material variances</b>
<b>Figures in Rand</b>						
<b>Operating surplus / (deficit)</b>	<b>60 137 132</b>	<b>16 454 921</b>	<b>76 592 053</b>	<b>129 236 438</b>	<b>52 644 385</b>	
Gain / (loss) on disposal of assets and liabilities	(12 276 260)	(1 800 891)	<b>(14 077 151)</b>	(10 907 718)	<b>3 169 433</b>	Disposal losses for Road Assets and Investment property budgeted for did not realise.
Inventories losses / write-downs	-	208 204	<b>208 204</b>	(6 080 832)	<b>(6 289 036)</b>	Water inventory losses of R6.2m were not provided for in the budget.
Reversal of impairment loss / (Impairment loss) on receivables	(19 060 438)	10 230 838	<b>(8 829 600)</b>	(682 976)	<b>8 146 624</b>	Did not provide for the Reversal of impairment of Traffic fines of R11.8m in the budget.
	<b>(31 336 698)</b>	<b>8 638 151</b>	<b>(22 698 547)</b>	<b>(17 671 526)</b>	<b>5 027 021</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>28 800 434</b>	<b>25 093 072</b>	<b>53 893 506</b>	<b>111 564 912</b>	<b>57 671 406</b>	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
<b>STATEMENT OF FINANCIAL POSITION</b>						
<b>ASSETS</b>						
<b>Current Assets</b>						
Inventories	48 658 368	(8 635 545)	<b>40 022 823</b>	19 094 004	<b>(20 928 819)</b>	Housing inventory was removed in line with Housing guideline.
Long-term receivables	397 942	38 652	<b>436 594</b>	461 430	<b>24 836</b>	
Receivables from exchange transactions	61 819 656	27 377 727	<b>89 197 383</b>	108 449 446	<b>19 252 063</b>	Payment percentage drop as a result of the COVID-19 pandemic.
Receivables from non-exchange transactions	21 358 788	21 657 685	<b>43 016 473</b>	33 457 745	<b>(9 558 728)</b>	Reclassification between Receivables from Exchange and Receivables from Non-exchange transactions.
VAT receivable	-	-	-	8 955 800	<b>8 955 800</b>	Budgeted for VAT payable, actual outcome resulted in VAT receivable.
Short-term investments	400 000 000	80 000 000	<b>480 000 000</b>	440 056 470	<b>(39 943 530)</b>	Kept funds in current account rather than putting in investment due to uncertainties surrounding the COVID-19 pandemic and its effect on the Municipality's finances.
Cash and cash equivalents	6 358 391	19 165 353	<b>25 523 744</b>	93 759 855	<b>68 236 111</b>	Purposely kept more funds in current account due to the uncertainties surrounding the COVID-19 pandemic and its effect on the Municipality's finances.
	<b>538 593 145</b>	<b>139 603 872</b>	<b>678 197 017</b>	<b>704 234 750</b>	<b>26 037 733</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	2 363 171 055	(115 018 581)	<b>2 248 152 474</b>	2 155 891 736	<b>(92 260 738)</b>	Reclassification of assets from PPE to Investment Property as well as underspending of capital budget.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
Investment property	596 134 694	(8 050 746)	588 083 948	644 006 348	55 922 400	Reclassification of assets from PPE to Investment property.
Intangible assets	414 370	(73 943)	340 427	995 179	654 752	
Heritage assets	4 225 599	-	4 225 599	4 225 599	-	
Long-term receivables	214 732	201 423	416 155	38 601	(377 554)	
Operating lease asset	-	-	-	313 855	313 855	
Investments	60 000 000	-	60 000 000	60 000 000	-	
	<b>3 024 160 450</b>	<b>(122 941 847)</b>	<b>2 901 218 603</b>	<b>2 865 471 318</b>	<b>(35 747 285)</b>	
<b>TOTAL ASSETS</b>	<b>3 562 753 595</b>	<b>16 662 025</b>	<b>3 579 415 620</b>	<b>3 569 706 068</b>	<b>(9 709 552)</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Other financial liabilities	24 613 171	(14 958 690)	9 654 481	11 048 478	1 393 997	Short-term portion of loans was incorrectly calculated with Budget process. Portion included under Non-current loans.
VAT payable	2 850 999	-	4 648 741	-	(4 648 741)	Budgeted for VAT payable, actual outcome resulted in VAT receivable.
Employee benefit obligation	34 509 322	(2 174 061)	32 335 261	38 126 535	5 791 274	Change in method of calculation regarding the application of the maximum subsidy as this is not applied to a certain sub-group of continuation members.
Provisions	13 526 161	(11 349 002)	2 177 159	1 987 686	(189 473)	
Unspent conditional grants and receipts	-	-	-	27 487 157	27 487 157	Mainly due to underspending of Human Settlement Development Grant and Drought relief grant. Roll-over applications to the 2020/21 year has been approved.



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
Unspent construction contract advances	-	-	-	24 366 159	<b>24 366 159</b>	Mainly due to underspending of Human Settlement Development Grant relating to Topstructures. Roll-over applications to the 2020/21 year has been approved.
Consumer deposits	28 250 708	400 174	<b>28 650 882</b>	30 002 506	<b>1 351 624</b>	Conservative budgeting for growth in population of town.
Payables from exchange transactions	116 125 415	38 543 619	<b>154 669 034</b>	166 903 225	<b>12 234 191</b>	Late receipt of accounts due to National lockdown.
	<b>219 875 776</b>	<b>10 462 040</b>	<b>232 135 558</b>	<b>299 921 746</b>	<b>67 786 188</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	190 005 699	(86 894 670)	<b>103 111 029</b>	82 319 904	<b>(20 791 125)</b>	Budgeted for more loans to be taken up.
Operating lease liability	-	-	-	2 050 971	<b>2 050 971</b>	The operating lease liability is budgeted under Provisions, not available on prescribed budget format. Is in line with budget.
Employee benefit obligation	119 197 800	19 024 870	<b>138 222 670</b>	127 960 489	<b>(10 262 181)</b>	An actuarial gain of R18m is recognised mainly due to the large increases in the net discount rate.
Provisions	44 505 013	36 545 820	<b>81 050 833</b>	100 742 679	<b>19 691 846</b>	R27m recognition of Landfill site asset as per the report by management expert on the Provision for the Rehabilitation of Landfill sites. The increase in the asset is due to the increase in size of the Great Brak Landfill site.
Non-current deposits	-	-	-	309 769	<b>309 769</b>	
	<b>353 708 512</b>	<b>(31 323 980)</b>	<b>322 384 532</b>	<b>313 383 812</b>	<b>(9 000 720)</b>	
<b>TOTAL LIABILITIES</b>	<b>573 584 288</b>	<b>(20 861 940)</b>	<b>554 520 090</b>	<b>613 305 558</b>	<b>58 785 468</b>	

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Statement of Comparison of Budget and Actual Amounts**

**Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
<b>NET ASSETS</b>						
Self-insurance reserve	14 170 987	43 862 138	<b>58 033 125</b>	99 645 872	<b>41 612 747</b>	R36m additional contribution made to Reserve out of Operational account.
Capital replacement reserve	119 402 827	27 412 381	<b>146 815 208</b>	127 673 016	<b>(19 142 192)</b>	R27m recognition of Landfill site asset as per the report by management expert on the Provision for the Rehabilitation of Landfill sites. The increase in the asset is due to the increase in size of the Great Brak Landfill site.
Accumulated surplus	2 855 595 493	(35 548 296)	<b>2 820 047 197</b>	2 729 081 622	<b>(90 965 575)</b>	Net effect of all comments raised in Statement of Financial Performance.
<b>TOTAL NET ASSETS</b>	<b>2 989 169 307</b>	<b>35 726 223</b>	<b>3 024 895 530</b>	<b>2 956 400 510</b>	<b>(68 495 020)</b>	

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Statement of Comparison of Budget and Actual Amounts**

**Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
<b>CASH FLOW STATEMENT</b>						
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Grants received	227 019 441	62 791 844	<b>289 811 285</b>	215 562 681	<b>(74 248 604)</b>	Grant revenue received for Construction contracts (Housing topstructure accounts) is added to Other revenue below. The budget incorrectly included roll-over amounts from previous year.
Interest income	36 733 430	8 593 007	<b>45 326 437</b>	41 487 894	<b>(3 838 543)</b>	Drop in investment interest rate due to COVID-19 pandemic.
Ratepayers and Service charges	867 326 326	(18 327 543)	<b>848 998 783</b>	832 974 052	<b>(16 024 731)</b>	Payment percentage drop as a result of the COVID-19 pandemic.
Other revenue	58 027 447	(4 476 196)	<b>53 551 251</b>	87 670 569	<b>34 119 318</b>	Grant revenue received for Construction contracts (Housing topstructure accounts) is added to Other revenue which was budgeted under grant receipts.
	<b>1 189 106 644</b>	<b>48 581 112</b>	<b>1 237 687 756</b>	<b>1 177 695 196</b>	<b>(59 992 560)</b>	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
<b>Payments</b>						
Employee costs	(327 683 926)	399 124	<b>(327 284 802)</b>	(283 708 082)	<b>43 576 720</b>	Saving is mainly due to vacant positions.
Suppliers	(583 731 076)	(46 276 564)	<b>(630 007 640)</b>	(556 494 459)	<b>73 513 181</b>	Underspending of Human Settlement Development grant and savings on Contracted services mainly due to National lockdown.
Transfers and Grants	(6 105 852)	(202 185)	<b>(6 308 037)</b>	(5 573 010)	<b>735 027</b>	
Other payments	(58 936 624)	(6 138 186)	<b>(65 074 810)</b>	(78 462 572)	<b>(13 387 762)</b>	More spent on Bulk purchases than expected. The final adjustment budget was reduced in line with expected usage due to the COVID pandemic. It was based on a level 5 lockdown, which then provided that not all businesses will use electricity. Higher usage than expected.
	<b>(976 457 478)</b>	<b>(52 217 811)</b>	<b>(1 028 675 289)</b>	<b>(924 238 123)</b>	<b>104 437 166</b>	
<b>NET CASH FLOWS FROM / (USED) OPERATING ACTIVITIES</b>	<b>212 649 166</b>	<b>(3 636 699)</b>	<b>209 012 467</b>	<b>253 457 073</b>	<b>44 444 606</b>	

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Statement of Comparison of Budget and Actual Amounts**

**Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of Capital assets	(309 391 631)	57 035 909	<b>(252 355 722)</b>	(238 214 163)	<b>14 141 559</b>	Mainly due to capital works that could not be performed during National lockdown period.
Proceeds from sale of property, plant and equipment	4 700 000	2 800 000	<b>7 500 000</b>	5 431 061	<b>(2 068 939)</b>	Budgeted proceeds did not realise.
Proceeds from sale of investment property	-	-	-	535 766	<b>535 766</b>	
(Increase) / Decrease in Long-term Receivables	100 000	-	<b>100 000</b>	177 752	<b>77 752</b>	
(Increase) / Decrease in Non-current Investments	(12 000 000)	-	<b>(12 000 000)</b>	(12 000 000)	-	
(Increase) / Decrease in Short-term Investments	-	-	-	17 909 977	<b>17 909 978</b>	Purposely kept more funds in current account rather than short term investments due to the uncertainties surrounding the COVID-19 pandemic and its effect on the Municipality's finances.
<b>NET CASH FLOWS FROM / (USED) INVESTING ACTIVITIES</b>	<b>(316 591 631)</b>	<b>59 835 909</b>	<b>(256 755 722)</b>	<b>(226 159 607)</b>	<b>30 596 116</b>	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
<b>Figures in Rand</b>						
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds of Other financial liabilities	133 700 000	(58 254 886)	<b>75 445 114</b>	67 000 000	<b>(8 445 114)</b>	Budgeted for more loans to be taken up.
Repayment of Other financial liabilities	(13 560 816)	9 260 236	<b>(4 300 580)</b>	(4 462 398)	<b>(161 818)</b>	
Increase / (Decrease) in Consumer deposits	1 345 272	19 056	<b>1 364 328</b>	2 715 952	<b>1 351 624</b>	Conservative budgeting for growth in population of town.
Proceeds / (Repayment) of Finance lease liabilities	-	-	-	(4 196)	<b>(4 197)</b>	
Finance costs	(15 192 600)	9 830 089	<b>(5 362 511)</b>	(4 907 616)	<b>454 895</b>	
<b>NET CASH FLOWS FROM / (USED) FINANCING ACTIVITIES</b>	<b>106 291 856</b>	<b>(39 145 505)</b>	<b>67 146 351</b>	<b>60 341 741</b>	<b>(6 804 610)</b>	
Net increase/(decrease) in cash and cash equivalents	2 349 391	17 053 705	<b>19 403 096</b>	87 639 207	<b>68 236 112</b>	Purposely kept more funds in current account due to the uncertainties surrounding the COVID-19 pandemic and its effect on the Municipality's finances.
Cash and cash equivalents at the beginning of the year	404 009 000	(397 888 353)	<b>6 120 647</b>	6 120 647	-	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>406 358 391</b>	<b>(380 834 648)</b>	<b>25 523 743</b>	<b>93 759 854</b>	<b>68 236 112</b>	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

C2. Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the Standards of GRAP outlined below (paragraph C7 of Directive 5).

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service concession arrangements: Grantor
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers
GRAP 108	Statutory receivables
GRAP 109	Accounting by Principles and Agents

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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C2. Directives issued and effective that entities are required to apply (paragraph .14 of Directive 5):

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for Public Entities, Trading Entities, Municipal Entities, Public Further Education and Training Colleges and Constitutional Institutions
Directive 3	Transitional Provisions for High Capacity Municipalities
Directive 4	Transitional Provisions for Medium and Low Capacity Municipalities and Trading Entities
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost
Directive 8	Transitional Provisions for Parliament and the Provincial Legislatures
Directive 9	The Application of the Standards of GRAP by Trading Entities
Directive 10	Application of the Standards of GRAP by Public Further Education and Training Colleges
Directive 11	Changes in the Measurement Bases Following the Initial Adoption of the Standards of GRAP
Directive 12	The Selection of an Appropriate Reporting Framework by Public Entities

C3. Interpretations of the Standards of GRAP approved that entities are required to apply (paragraph .10 of Directive 5):

Reference	Topic
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Venturers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies

C4. Approved guideline of Standards of GRAP that entities are required to apply (paragraph .15 of Directive 5):

Reference	Topic
Guideline	Accounting for Arrangements Undertaken in terms of the National Housing Programme

C6. Standards of GRAP approved which are not yet effective, or for which the Minister of Finance has not yet determined an effective date, that entities may consider in formulating an accounting policy (paragraph .12 of this Directive):

Standards of GRAP that may be used in developing an accounting policy:

Reference	Topic
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 110	Living and Non-living Resources



# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All amounts are rounded to the nearest Rand

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate. The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the Going concern assumption.

#### **1.3 Materiality**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Material differences or variances are defined as any differences or variances above 10% with a value of more than R1 000 000. Explanations for material differences between the approved and final budget are included in the annual financial statements.

#### **1.4 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### **Impact of COVID-19**

The municipality strives toward ethical reporting thus transparent yet concise insights into the applied judgements and financial uncertainties, which the municipality faces as a result of the COVID-19 pandemic.

The assessed impact of the lockdown on the current year has been included in the Notes to the financial statements.

##### **Allowance for slow moving, damaged and obsolete stock**

Allowance is made to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating surplus note when found material.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

##### **Impairment testing**

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend. This was performed individually across all debtors by discounting the future cashflows using the interest rate earned on the primary bank account.

The calculation in respect of the impairment of Traffic fines is based on the same principle as for other receivables except that it is not performed on an individual fine basis and discounting of future cashflows by using a rate that reflects the current risk free rate.

The discounting of future cashflows for Property rates is also based on a rate that reflects the current risk-free rate.

The municipality used the interest rate on primary bank account as the effective interest rate for impairment, except for Statutory receivables the average interest rate on Short-term investments are used.

Impact of COVID-19 on Impairment testing judgement: With regards to the Impairment of Financial Assets, the same policies were applied than in the previous year, although the basis on which it is calculated has changed due to changes circumstances, e.g. the collection rate of a specific debtor was impacted by the COVID-19 pandemic.

##### **Provisions and Contingent liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

##### **Post retirement benefits**

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 20.

##### **Other current Employee Benefit obligations**

Staff leave: The provision is based on full cost of accrued leave at year-end. The uncertainty is when the leave will be taken or if employment is terminated.

Performance Bonus: The provision is the best estimate on year-end and based on historical patterns for the payment of performance bonuses.

##### **Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the initial expected useful lives. The cost of each component is calculated based on the cost price of each component.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

##### **Property, Plant and Equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements.

For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The Municipality considers a project to be significantly delayed after a period of 12 months.

##### **Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

##### **Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

The Municipality considers a project to be significantly delayed after a period of 12 months.

##### **Revenue recognition**

Accounting Policy on Revenue from Non-Exchange Transactions and Revenue from Exchange Transactions below describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

#### **1.5 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.5 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Transfers are made to or from investment property only when there is a change in use.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Improved Property - land	Indefinite
Improved Property - buildings	8 - 100
Unimproved Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 13).

#### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.6 Property, plant and equipment (continued)**

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated as it is deemed to have an indefinite useful life.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

#### 1.6 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life in years
PPE Land		
Land		Indefinite
Community assets		
Community facilities	Straight line	5 - 100
• Taxi ranks / bus terminals	Straight line	8 - 100
• Parks	Straight line	8 - 100
• Fire / ambulance stations	Straight line	8 - 100
• Zoo and Marine facilities	Straight line	5 - 100
• Creches	Straight line	8 - 100
• Cemeteries / crematoria	Straight line	8 - 100
• Theatres	Straight line	8 - 100
• Clinics / care centres	Straight line	8 - 100
• Centres	Straight line	8 - 100
• Nature reserves	Straight line	8 - 100
• Libraries	Straight line	8 - 100
• Galleries	Straight line	8 - 100
• Public ablution facilities	Straight line	8 - 100
• Stalls	Straight line	8 - 100
• Halls	Straight line	7 - 100
• Museums	Straight line	8 - 100
• Airports	Straight line	8 - 100
• Public open space	Straight line	8 - 100
• Markets	Straight line	8 - 100
• Abattoirs	Straight line	8 - 100
• Testing stations	Straight line	8 - 100
• Police	Straight line	8 - 100
Sport and recreation facilities	Straight line	5 - 100
• Indoor facilities	Straight line	8 - 100
• Outdoor facilities	Straight line	5 - 100
• Leisure/resort facilities	Straight line	8 - 100
Other assets		
Computer equipment	Straight line	2 - 5
• Desktop computer	Straight line	4 - 5
• Laptop computer	Straight line	4 - 5
• Tablets	Straight line	2 - 2
• Printers	Straight line	4 - 5
• Servers	Straight line	5 - 5
• Other computer equipment	Straight line	5 - 5
Furniture and Office Equipment	Straight line	8 - 50
Housing	Straight line	8 - 100
Machinery and Equipment	Straight line	5 - 30
Operational buildings	Straight line	8 - 100
• Municipal offices	Straight line	5 - 100
• Yards	Straight line	8 - 100
• Stores	Straight line	8 - 100
• Training centres	Straight line	8 - 100
• Pay / enquiry points	Straight line	8 - 100
• Building plan offices	Straight line	8 - 100
• Workshops	Straight line	8 - 100
• Laboratories	Straight line	8 - 100
• Manufacturing plant	Straight line	8 - 100

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.6 Property, plant and equipment (continued)

• Depots	Straight line	8 - 100
Transport Assets	Straight line	7 - 30
Infrastructure		
Coastal infrastructure	Straight line	8 - 100
• Revetments	Straight line	10 - 100
• Piers	Straight line	10 - 80
Roads infrastructure	Straight line	5 - 50
• Road furniture	Straight line	5 - 50
• Road structures	Straight line	5 - 50
• Roads	Straight line	7 - 30
Electrical infrastructure	Straight line	2 - 100
• Power plants	Straight line	5 - 100
• HV substations	Straight line	5 - 100
• HV switching stations	Straight line	5 - 100
• HV transmission conductors	Straight line	10 - 50
• MV networks	Straight line	5 - 50
• MV substations	Straight line	5 - 100
• MV switching stations	Straight line	5 - 100
• LV networks	Straight line	2 - 60
Information and communications infrastructure	Straight line	5 - 100
• Distribution layers	Straight line	2 - 10
• Core layers	Straight line	5 - 100
• Data centres	Straight line	8 - 100
Sanitation infrastructure	Straight line	5 - 100
• Outfall sewers	Straight line	7 - 50
• Pump stations	Straight line	5 - 50
• Reticulation	Straight line	7 - 50
• Toilet facilities	Straight line	10 - 50
• Waste water treatment works	Straight line	5 - 100
Solid waste infrastructure	Straight line	8 - 100
• Electricity generation facilities	Straight line	8 - 100
• Landfill sites	Straight line	10 - 100
• Waste drop-off points	Straight line	8 - 100
• Waste processing facilities	Straight line	8 - 100
• Waste separation facilities	Straight line	8 - 100
• Waste transfer stations	Straight line	8 - 100
Storm-water infrastructure	Straight line	5 - 60
• Attenuation	Straight line	5 - 50
• Drainage collection	Straight line	5 - 60
• Storm-water conveyance	Straight line	5 - 50
Water supply infrastructure	Straight line	5 - 100
• Pump stations	Straight line	5 - 50
• Water treatment works	Straight line	5 - 100
• Distribution	Straight line	7 - 30
• Reservoirs	Straight line	5 - 50
• Boreholes	Straight line	5 - 50
• Dams weirs	Straight line	5 - 100
• Distribution points	Straight line	7 - 20
• Bulk mains	Straight line	7 - 80
• PRV stations	Straight line	5 - 50

The depreciable amount of an asset is allocated on a systematic basis over its initial useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.6 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed for indicators that the expected pattern of consumption of the future economic benefits or service potential embodied in the asset has changed. If detected then the useful life is reviewed. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

#### 1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

#### 1.8 Intangible assets

An intangible asset is an identifiable non-tangible asset without physical substance. Examples include computer software, licences and development costs.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.



# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.8 Intangible assets (continued)**

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the Municipality will receive future economic benefits or service potential.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.8 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life in years
Computer Software	Straight line	4 - 10
Servitudes	Straight line	5 - 20

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations.

##### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

##### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

##### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

##### Depreciation and Impairment

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial.

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

The useful lives of items of heritage assets have been assessed as follows:

Item	Useful life in years
Conservation areas	Indefinite
Historic Buildings	Indefinite
Monuments	Indefinite
Other heritage	Indefinite

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.9 Heritage assets (continued)

##### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the statement of Financial Performance.

#### 1.10 Financial instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either a financial asset or a financial liability.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.10 Financial instruments (continued)

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Long-Term Receivables	Financial asset measured at Amoris ed cost
Receivables from Exchange Transactions	Financial asset measured at Amoris ed cost
Other Receivables from Non-Exchange Transactions	Financial asset measured at Amoris ed cost
Short-term Investment Deposits	Financial asset measured at Amoris ed cost
Cash and Cash Equivalents	Financial asset measured at Amoris ed cost
Short and Long-term Investments	Financial asset measured at Amoris ed cost

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Other Financial Liabilities	Financial liability measured at Amoris ed cost
Payables from exchange transactions	Financial liability measured at Amoris ed cost
Cash and Cash Equivalents	Financial liability measured at Amoris ed cost
Finance lease obligations	Financial liability measured at Amoris ed cost
Unspent Conditional Grants and Receipts	Financial liability measured at Amoris ed cost
Consumer Deposits	Financial liability measured at Amoris ed cost
Non-current Deposits	Financial liability measured at Amoris ed cost
Employee benefit obligations	Financial liability measured at Amoris ed cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.10 Financial instruments (continued)**

##### **Subsequent measurement of financial assets and financial liabilities**

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

##### **Impairment and uncollectibility of financial assets**

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

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#### **1.10 Financial instruments (continued)**

##### **Derecognition**

##### **Financial assets**

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### **Financial liabilities**

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.10 Financial instruments (continued)**

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Financial Performance. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### **Presentation / Offsetting of Financial Instruments**

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

#### **1.11 Cash and Cash equivalents and Investments**

Cash and cash equivalents include cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value.

Investments is classified as either Long-term Investments or Short-term Investments. Long-term Investments is investments made for a period longer than 12 months, whilst those invested for a period of longer than 3 months but shorter than 12 months is classified as Short-term Investments. Recognition and classification of investments are made at inception of the investment. All other call deposits, 32 notice deposits or other forms investments not exceeding 3 months are classified as cash and cash equivalents.

Long-term Investment income is recognised on a time-proportion basis using the effective interest method.

#### **1.12 Statutory receivables**

##### **Identification**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

##### **Recognition**

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

##### **Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.12 Statutory receivables (continued)

##### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

##### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in the Statement of Financial Performance.

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in the Statement of Financial Performance.

##### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

#### 1.13 Value Added Tax

##### Current tax assets and liabilities

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### 1.14 Unpaid Conditional Grants and Receipts

Unpaid conditional grants are assets in terms of the GRAP Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.



# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.15 Payables from Exchange Transactions**

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

#### **1.16 Unspent Conditional Grants and Receipts**

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

#### **1.17 Other Financial Liabilities (Borrowings)**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

#### **1.18 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

##### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

##### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.18 Leases (continued)**

##### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

##### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### **1.19 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

The weighted average method is used to allocate cost to inventory items.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage. Water inventory is measured at the reporting date by way of readings and the calculated volume in the distribution network. Apparent and real water losses is recognised in the period it occurs.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.20 Receivables from exchange transactions**

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.20 Receivables from exchange transactions (continued)**

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

Unspent construction contract advances are recognised in the Statement of Financial Position as a current liability, whereas Unpaid construction contract advances are recognised as a current asset.

#### **1.21 Impairment of cash-generating assets**

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.21 Impairment of cash-generating assets (continued)**

##### **Cash-generating units**

Cash-generating units are defined as end-services that generate, or is expected to generate, positive cash flows. All individual assets assigned to these units are viewed as cash-generating assets at initial recognition. The following end-services are classified as cash-generating units:

- Electricity services
- Water services
- Solid waste management services
- Waste water management services

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.21 Impairment of cash-generating assets (continued)**

##### **Reversal of impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in the Statement of Financial Performance.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### **1.22 Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.22 Impairment of non-cash-generating assets (continued)**

##### **Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

##### **Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

##### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

##### **Reversal of an impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in the Statement of Financial Performance.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **1.23 Employee benefits**

Employee benefits are all forms of consideration given by a entity in exchange for service rendered by employees.

All costs relating to employee benefits such as contributions, interest and / or actuarial gains or losses, is recognised in the statement of financial performance as employee related costs.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.23 Employee benefits (continued)

##### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

##### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

##### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 1.23 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 1.23 Employee benefits (continued)

- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

#### Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and is calculated based on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### Staff Bonusses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

#### Performance Bonusses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. The performance bonus provision is based on the employment contract stipulations as well as previous performance bonus payment trends.

#### Employee overtime/standby allowance accrual

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits and gratuities upon retirement to some retirees:

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 1.23 Employee benefits (continued)

##### (a) Post-Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the Municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

##### (b) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### (c) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

#### 1.24 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.24 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 59.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

#### 1.25 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Commitments are disclosed in the notes to the Annual Financial Statements inclusive of VAT.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.26 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to **electricity and water** are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

An estimation is made annually of the water and electricity consumptions not yet invoiced, for which an accrual is recognised as at year end.

Revenue from sale of electricity prepaid meter cards are recognised at the point of sale. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is calculated by using a trend analysis and other historical data on electricity usage.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.26 Revenue from exchange transactions (continued)

Service charges relating to **refuse removal** are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from **sewerage and sanitation** for residential and business properties are levied annually based on a fixed tariff.

**Rentals** are recognised on a straight-line basis over the term of the lease agreement.

**Revenue arising from the application of the approved tariff of charges** is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

The income for **agency services** recognised is commission in terms of the agency agreement.

Where the outcome of a construction contract can be estimated reliably, **Construction contract revenue** are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

**Finance income from the sale of housing** by way of installment sales agreements or finance leases is recognised on a time proportionate basis.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in the Statement of Financial Performance, using the effective interest rate method.

Dividends or similar distributions are recognised, in the Statement of Financial Performance, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

#### 1.27 Revenue from non-exchange transactions

In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.27 Revenue from non-exchange transactions (continued)**

##### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

##### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

##### **Property rates**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no right to collect this revenue in terms of the municipal tariff policy and by-laws.

##### **Grants, transfers and donations**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Transferred assets are measured at their fair value as at the date of acquisition.

##### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.27 Revenue from non-exchange transactions (continued)

##### **Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

**Revenue from third parties** i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of impaired assets.

**Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure** is based on legislated procedures, including those set out in the Municipal Finance Management Act, Act No.56 of 2003, and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

All **unclaimed deposits** are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with the prescribed debt principle as enforced by law.

#### 1.28 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

#### 1.29 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which it is incurred.

#### 1.30 Accounting by principals and agents

##### **Identification**

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

##### **Identifying whether an entity is a principal or an agent**

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

##### **Binding arrangement**

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Accounting Policies

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#### 1.30 Accounting by principals and agents (continued)

##### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

##### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

#### 1.31 Comparative information

Where necessary, comparative information have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.32 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the Municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, Municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the Municipality otherwise than in accordance with the MFMA.

A vote is defined as a Directorate.

The municipality has the following Directorates:

- Municipal Manager
- Corporate Services
- Financial Services
- Technical / Infrastructure Services



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 1.32 Unauthorised expenditure (continued)

- Community Services
- Planning & Economic Development Services
- Governance and Strategic Services

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.33 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.34 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance in the year the expenditure occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.35 Internal reserves

##### Capital replacement reserve (CRR)

In order to finance capital assets from internal sources, amounts are transferred out of the accumulated surplus into the Capital Replacement Reserve (CRR) in terms of the funding and reserves policy adopted by the Municipality. The cash in the CRR can only be used to finance capital expenditure appropriated in an approved budget. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

##### Self insurance reserve

The municipality has a self-insurance reserve to set aside amounts to offset potential losses or claims that are not insured externally. An annual contribution is made to the self-insurance reserve as prescribed in the Borrowing, Funds and Reserves Policy of the Municipality.

At the end of each financial year an amount (as determined by the Liquidity calculation prescribed in the municipality's Liquidity policy) may be transferred from accumulated surplus to self-insurance reserve or capital replacement reserve. The Chief Financial Officer has the delegation to determine such amount to be transferred to the self-insurance reserve.

The balance of the self-insurance or capital replacement reserve is invested in short-term cash investments.

#### 1.36 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2019 to 30 June 2020.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.36 Budget information (continued)**

Material differences or variances are defined as any differences or variances above 10% with a value of more than R1 000 000. Explanations for material differences between the approved and final budget are included in the annual financial statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of comparison of budget and actual amounts.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The disclosure of comparative budget information is not required in terms of GRAP 24.

#### **1.37 Related parties**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

#### **1.38 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Accounting Policies**

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#### **1.38 Events after reporting date (continued)**

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

The effects of the COVID-19 pandemic are likely to be a current period event, which will require ongoing evaluation to determine the extent to which developments after the reporting date should be recognised in the reporting period.

#### **1.39 Interest in Joint Venture**

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint ventures take many different forms and structures. There are three broad types that meet the definition of a joint venture, namely:

- Jointly controlled operations
- Jointly controlled assets
- Jointly controlled entities

##### **Jointly controlled assets**

A jointly controlled asset involves joint control and often the joint ownership by the venturers of assets contributed to or acquired for the purpose of the joint venture and dedicated to the purpose of the joint venture, without the establishment of a corporation, partnership or other entity.

The Municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

#### **1.40 Changes in accounting policy, estimates and errors**

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error.

In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	
<ul style="list-style-type: none"> <li>Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme</li> </ul>	01 April 2019	The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"> <li>GRAP 8 (as revised 2010): Interests in Joint Ventures</li> </ul>	01 April 2019	The impact of this standard is not material.
<ul style="list-style-type: none"> <li>GRAP 20: Related parties</li> </ul>	01 April 2019	The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"> <li>GRAP 32: Service Concession Arrangements: Grantor</li> </ul>	01 April 2019	The impact of this standard is not material.
<ul style="list-style-type: none"> <li>GRAP 108: Statutory Receivables</li> </ul>	01 April 2019	The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"> <li>GRAP 109: Accounting by Principals and Agents</li> </ul>	01 April 2019	The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements
<ul style="list-style-type: none"> <li>IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li> </ul>	01 April 2019	The impact of this standard is not material.
<ul style="list-style-type: none"> <li>IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land</li> </ul>	01 April 2019	The impact of this standard is not material.

### 2.2 Standards and Interpretations early adopted

The municipality has chosen not to early adopt any standards and interpretations.

### 2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	The impact of this standard is not material.
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The impact of this standard is not material.
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	The impact of this standard is not material.

#### 2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 104 (revised): Financial Instruments	01 April 2099	Impact is currently being assessed

#### 3. Inventories

Consumable stores	17 199 162	14 583 662
Unsold property held for resale	1 302 768	2 524 699
Water	592 074	486 562
	<b>19 094 004</b>	<b>17 594 923</b>

Inventory to the value of R 6 080 833 (2019: R 4 447 727) was written off during the financial year.

Land relates to developed land that is held for resale by the municipality, mostly aimed at middle-income households.

Water inventory relates to purified water under the control of the municipality. The cost of sale per kiloliter increased from R4.78 p/kl in 2019 to R5.69 p/kl in 2020 representing an increase in cost of sale of 19%.

All inventory for the current year are carried at the lower of cost or the net realisable value.

None of the inventories were pledged as security for liabilities.

Refer to note 47 for reclassifications and prior period corrections made to Inventory note.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 4. Construction contracts revenue and advances

##### Contracts in progress at statement of financial position date

##### Unspent / (unpaid) construction contract advances per Housing Project:

Asazani / Zinyoka	(2 706 609)	(5 397 675)
Elangeni	1 154 857	-
External Toilet Eradication	8 977 192	-
Herbertsdale 154 Houses	-	989 276
Khayelitsha	13 000 000	-
Kwanonqaba	-	353 762
Louis Fourie Corridor	156 789	280 316
Sonskynvallei	3 783 930	774 956
	<b>24 366 159</b>	<b>(2 999 365)</b>

Refer to Note 47 for detail regarding the reclassifications and correction of prior period errors and to Note 48 for full explanation of the Change in Accounting Policies.

##### Movement during the year

Opening balance	(2 999 367)	3 744 474
Receipts	58 300 982	3 559 773
Conditions met - Transferred to revenue	(30 935 456)	(10 303 612)
	<b>24 366 159</b>	<b>(2 999 365)</b>

Advances received in excess of work completed are included as a current assets receivables under Unpaid Construction Contract Advances.

As at 30 June 2020, retention of contracts in progress were R 3 377 275 (2019: R 518 829).

No contract debtors were pledged as security for any overdraft facilities.

##### Method used to determine the contract revenue recognised in the period

The stage of completion method was used to determine the contract revenue recognised in the period.

##### Construction contracts revenue recognised

Construction contracts	30 935 456	10 303 612
	<b>30 935 456</b>	<b>10 303 612</b>

Contract	Total contract cost 2020	Total contract revenue recognised 2020	Total contract cost 2019	Total contract revenue recognised 2019
Asazani / Zinyoka	14 268 105	14 268 105	834 493	834 493
Elangeni	3 846 915	3 846 915	-	-
External Toilet Eradication	601 229	601 229	-	-
Herbertsdale	-	-	79 154	79 154
Herbertsdale 154 Houses	-	-	6 664 352	6 664 352
Khayelitsha	-	-	-	-
Kwanonqaba	18 410	18 410	-	-
Louis Fourie Corridor	123 527	123 527	2 029 006	2 029 006
Sonskynvallei	12 077 270	12 077 270	696 607	696 607
	<b>30 935 456</b>	<b>30 935 456</b>	<b>10 303 612</b>	<b>10 303 612</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 4. Construction contracts revenue and advances (continued)

##### Method used to determine the stage of completion of contracts in progress

The proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

**30 June 2020**

	<b>Aggregate amount of costs incurred and recognised surpluses (less recognised deficits) to date for agreements in progress</b>	<b>Amount of advances received for agreements in progress</b>	<b>Amount of retentions</b>
Asazani / Zinyoka	78 931 696	(2 706 609)	1 176 271
Elangeni	3 846 915	1 154 856	324 304
External Toilet Eradication	601 229	8 977 192	-
Herbertsdale	-	-	-
Herbertsdale 154 Houses	-	-	-
Khayelitsha	-	13 000 000	-
Kwanonqaba	7 772 959	-	-
Louis Fourie Corridor	5 901 171	156 789	-
Sonskynvallei	47 209 228	3 783 931	1 876 700
	<b>144 263 198</b>	<b>24 366 159</b>	<b>3 377 275</b>

**30 June 2019**

	<b>Aggregate amount of costs incurred and recognised surpluses (less recognised deficits) to date for agreements in progress</b>	<b>Amount of advances received for agreements in progress</b>	<b>Amount of retentions</b>
Asazani / Zinyoka	64 663 591	(5 397 676)	518 829
Elangeni	-	-	-
Herbertsdale	172 460	-	-
Herbertsdale 154 Houses	25 373 887	-	-
Kwanonqaba	7 754 549	353 762	-
Louis Fourie Corridor	5 759 114	280 316	-
Sonskynvallei	35 150 487	774 956	-
	<b>138 874 088</b>	<b>(3 988 642)</b>	<b>518 829</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 5. Long-term receivables

##### At amortised cost

Land Sales Debtors	4 801	4 785
Bursary Obligations	252 539	224 747
Housing Selling Schemes	592 099	797 659
	849 439	1 027 191
Impairments	(349 408)	(74 442)
	<b>500 031</b>	<b>952 749</b>

##### Non-current assets

At amortised cost	38 601	495 709
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##### Current assets

At amortised cost	461 430	457 040
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##### Total

<b>500 031</b>	<b>952 749</b>
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##### Reconciliation of debt impairment of long-term receivables

Balance at the beginning of the year	74 442	396 001
Contribution to / (Reversal from) provision	274 966	(321 559)
Bad debts written off / recovered	-	-
	<b>349 408</b>	<b>74 442</b>

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was drawn in order to establish the payment percentage per type of debtor. This payment percentage was used to impair these long-term receivables.

No provision for debt impairment to be recognised for study loans.

Land Sales: Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Housing Selling Scheme Loans: Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

Refer to Note 47 for detail regarding the reclassifications.

#### 6. Receivables from exchange transactions

##### Gross balances

Electricity	49 659 687	43 539 276
Water	31 702 629	22 536 710
Sewerage	19 635 464	9 567 201
Refuse	15 513 482	6 294 681
Land sales	10 880	10 259
Housing selling schemes	1 226 391	1 132 396
Housing rental	184 458	160 808
Other (merchandising, jobbing, contracts and service charges)	9 993 795	8 697 847
Payments made in advance	7 957 272	5 210 858
	<b>135 884 058</b>	<b>97 150 036</b>



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 6. Receivables from exchange transactions (continued)

##### Less: Allowance for impairment

Electricity	(3 218 971)	(1 749 216)
Water	(8 853 527)	(5 458 205)
Sewerage	(6 255 924)	(2 816 081)
Refuse	(3 404 629)	(753 431)
Land sales	(10 237)	(10 029)
Housing selling schemes	(1 179 658)	(1 117 680)
Housing rental	(172 030)	(148 195)
Other (merchandising, jobbing, contracts and service charges)	(4 339 637)	(2 992 426)
	<b>(27 434 613)</b>	<b>(15 045 263)</b>

##### Net balance

Electricity	46 440 716	41 790 060
Water	22 849 102	17 078 505
Sewerage	13 379 540	6 751 120
Refuse	12 108 853	5 541 250
Land sales	643	230
Housing selling schemes	46 733	14 716
Housing rental	12 428	12 613
Other (merchandising, jobbing, contracts and service charges)	5 654 158	5 705 421
Payments made in advance	7 957 272	5 210 858
	<b>108 449 445</b>	<b>82 104 773</b>

##### Electricity

Current (0 -30 days)	41 561 477	40 995 074
31 - 60 days	2 808 485	423 820
61 - 90 days	1 751 579	247 555
91 - 120 days	421 799	160 374
121 - 365 days	1 345 401	477 221
> 365 days	1 770 946	1 235 232
Less: Impairment	(3 218 971)	(1 749 216)
	<b>46 440 716</b>	<b>41 790 060</b>

##### Water

Current (0 -30 days)	17 607 276	14 683 277
31 - 60 days	2 038 022	810 026
61 - 90 days	1 615 436	601 209
91 - 120 days	1 268 775	532 596
121 - 365 days	4 891 245	2 325 555
> 365 days	4 281 875	3 584 047
Less: Impairment	(8 853 527)	(5 458 205)
	<b>22 849 102</b>	<b>17 078 505</b>

##### Sewerage

Current (0 -30 days)	8 031 627	5 273 745
31 - 60 days	1 731 355	426 643
61 - 90 days	1 577 902	387 270
91 - 120 days	1 344 342	345 491
121 - 365 days	4 202 253	1 317 314
> 365 days	2 747 985	1 816 738
Less: Impairment	(6 255 924)	(2 816 081)
	<b>13 379 540</b>	<b>6 751 120</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 6. Receivables from exchange transactions (continued)

##### Refuse

Current (0 -30 days)	7 673 292	4 649 177
31 - 60 days	1 446 466	253 710
61 - 90 days	1 255 094	215 035
91 - 120 days	1 059 706	190 402
121 - 365 days	3 256 836	575 098
> 365 days	822 088	411 259
Less: Impairment	(3 404 629)	(753 431)
	<b>12 108 853</b>	<b>5 541 250</b>

Service debtors receivables that are past due as at 30 June 2020 but not impaired is R19 904 537 (2019: R 5 559 662).

##### Land sales

Current (0 -30 days)	545	523
31 - 60 days	208	146
61 - 90 days	215	145
91 - 120 days	98	150
121 - 365 days	699	912
> 365 days	9 115	8 383
Less: Impairment	(10 237)	(10 029)
	<b>643</b>	<b>230</b>

Land Sales receivables that are past due as at 30 June 2020 but not impaired is R 98 (2019: Rnil).

##### Housing selling schemes

Current (0 -30 days)	22 176	26 600
31 - 60 days	11 144	11 457
61 - 90 days	27 986	11 208
91 - 120 days	11 657	11 107
121 - 365 days	92 882	79 815
> 365 days	1 060 546	992 209
Less: Impairment	(1 179 658)	(1 117 680)
	<b>46 733</b>	<b>14 716</b>

Housing Selling Schemes receivables that are past due as at 30 June 2020 but not impaired is R 24 557 (2019: Rnil).

##### Housing rental

Current (0 -30 days)	7 923	7 217
31 - 60 days	3 001	2 320
61 - 90 days	3 499	2 216
91 - 120 days	2 809	2 202
121 - 365 days	21 765	21 451
> 365 days	145 461	125 402
Less: Impairment	(172 030)	(148 195)
	<b>12 428</b>	<b>12 613</b>

Housing rentals receivables that are past due as at 30 June 2020 but not impaired is R 4 505 (2019: R 5 398).

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 6. Receivables from exchange transactions (continued)

##### Other (merchandising, jobbing, contracts and service charges)

Current (0 -30 days)	2 846 167	3 372 978
31 - 60 days	447 901	200 918
61 - 90 days	563 283	138 441
91 - 120 days	391 076	119 451
121 - 365 days	2 664 734	2 340 762
> 365 days	3 080 634	2 525 297
Less: Impairment	(4 339 637)	(2 992 426)
	<b>5 654 158</b>	<b>5 705 421</b>

Other receivables that are past due as at 30 June 2020 but not impaired is R 2 807 992 (2019: R 2 332 443).

Refer to Note 47 for detail regarding the reclassifications and correction of prior period errors.

Refer to Note 62 for full detail on relief provided by the Municipal Council to its customers during the National State of Disaster relating to the COVID-19 pandemic.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 6. Receivables from exchange transactions (continued)

##### Summary of receivables by customer classification

Residential / Consumers	58 155 043	27 620 370
Industrial / Commercial	32 007 726	28 538 081
National and Provincial Government	6 131 649	5 663 787
Other	4 197 755	15 071 677
	<b>100 492 173</b>	<b>76 893 915</b>

##### Reconciliation of allowance for impairment

Balance at beginning of the year	(15 045 263)	(12 238 706)
Contributions to allowance	(12 389 350)	(2 806 557)
	<b>(27 434 613)</b>	<b>(15 045 263)</b>

#### 7. Receivables from non-exchange transactions

##### Gross balance

Rates	19 397 139	14 305 412
Traffic fines	18 754 572	32 708 945
Government grants and subsidies	128 834	128 834
Recoverable expenditure	75 644	75 644
Other	17 828 492	13 560 961
	<b>56 184 681</b>	<b>60 779 796</b>

##### Less: Allowance for impairment

Rates	(4 873 982)	(3 578 776)
Traffic fines	(17 272 429)	(28 680 415)
Other	(580 524)	(1 819 746)
	<b>(22 726 935)</b>	<b>(34 078 937)</b>

##### Net balance

Rates	14 523 157	10 726 636
Traffic fines	1 482 143	4 028 530
Government grants and subsidies	128 834	128 834
Recoverable expenditure	75 644	75 644
Other	17 247 968	11 741 215
	<b>33 457 746</b>	<b>26 700 859</b>

Other Receivables from Non-Exchange transactions includes accruals for Interest on Investments to the amount of R15 990 093.

Rates, Traffic fines and Government grants and subsidies disclosed under Receivables from Non-exchanges transactions are Statutory Receivables in context of GRAP 108. Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 8 for disclosure notes relating to Statutory receivables.

Refer to Note 47 for detail regarding the reclassifications and correction of prior period errors.

Refer to Note 62 for full detail on relief provided by the Municipal Council to its customers during the National State of Disaster relating to the COVID-19 pandemic.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 7. Receivables from non-exchange transactions (continued)

##### Rates: Ageing

Current (0 -30 days)	12 461 171	9 608 727
31 - 60 days	1 034 192	378 582
61 - 90 days	824 471	347 293
91 - 120 days	394 180	235 901
121 - 365 days	1 756 137	1 277 515
> 365 days	2 926 988	2 457 394
Less: Impairment	(4 873 982)	(3 578 776)
	<b>14 523 157</b>	<b>10 726 636</b>

Rates receivable that are past due as at 30 June 2020 but not impaired is R 2 061 986 (2019: R 1 117 908).

##### Summary of rates by customer classification

Residential / Consumers	10 728 831	8 055 026
Industrial / Commercial	3 376 512	2 265 698
National and Provincial Government	358 474	298 695
Other	59 340	107 217
	<b>14 523 157</b>	<b>10 726 636</b>

##### Reconciliation of allowance for impairment

Opening balance	(34 078 937)	(41 827 860)
Movement in allowance for impairment	11 352 002	7 748 923
	<b>(22 726 935)</b>	<b>(34 078 937)</b>

#### 8. Statutory receivables

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset.

In accordance with the principles of GRAP 108, statutory receivables of the municipality is classified as follows:

##### Statutory receivables balances

##### Statutory receivables included in the Statement of Financial Position under VAT Receivable

VAT Receivable	8 955 800	9 712 876
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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 8. Statutory receivables (continued)

##### Statutory receivables included in the Statement of Financial Position under Receivables from non-exchange transactions

Property Rates	14 523 157	10 726 636
Traffic fines	1 482 143	4 028 530
Government grants and subsidies	128 834	128 834
	<b>16 134 134</b>	<b>14 884 000</b>

##### Statutory receivables transactions

##### Statutory receivables transactions included in the Statement of Financial Performance:

##### Property rates:

Property rates revenue	146 289 681	123 140 774
Interest earned - outstanding property rates	447 294	281 454

##### Traffic fines:

Fines, penalties and forfeits	13 742 998	13 898 612
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##### Government grants and subsidies:

Disaster Management Grant	-	-
	<b>160 479 973</b>	<b>137 320 840</b>

##### Reconciliation of provision for impairment for statutory receivables

##### Provision for impairment included under VAT Receivable transactions:

VAT Receivable	-	-
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##### Provision for impairment included under receivables from non-exchange transactions:

Property Rates	(4 873 982)	(3 578 776)
Traffic fines	(17 272 429)	(28 680 415)
Government grants and subsidies	-	-
	<b>(22 146 411)</b>	<b>(32 259 191)</b>

##### Recognition or reversal of impairment losses on statutory receivables

##### Recognition of impairment losses

Property Rates	1 305 116	182 236
Traffic Fines	-	2 190 844

##### Reversal of impairment losses

Traffic Fines	(11 819 322)	(9 179 408)
	<b>(10 514 206)</b>	<b>(6 806 328)</b>

##### Statutory receivables past due but not impaired

##### Statutory receivables

Property Rates	2 061 986	1 117 908
Traffic fines	-	-
Government grants and subsidies	128 834	128 834
VAT Receivable	8 955 800	9 712 876
	<b>11 146 620</b>	<b>10 959 618</b>

##### Transaction(s) arising from statute

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 8. Statutory receivables (continued)

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Mossel Bay.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette. The receivable for Government grants and subsidies to the amount of R128 834 is for the Disaster Management Grant that is due from the Garden Route District Municipality. This grant was allocated to Mossel Bay Municipality in the 2014/15 year and the District Municipality subtracted the amount of R128 834 from the grant payment made to Mossel Bay for outstanding accounts raised by them for Fire services rendered.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

#### Determination of transaction amounts

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district of Mossel Bay.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991. VAT increased from 14% to 15% from 1 April 2018.

#### Interest or other charges levied / charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act. Currently at R200 effected after court date on non/default payment / non appearance.

Interest or other charges levied on Government grants, if applicable, is based on the average investment rate for the applicable year.

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

#### Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 8. Statutory receivables (continued)

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

No impairment on VAT Receivable, balance expected to be fully recoverable.

#### Discount rate applied to the estimated future cash flows

The discount rate applied for all types of Statutory receivables mentioned above is based on the average rate of investments. This rate is seen as risk free as the amount to be paid in interest and capital amount is guaranteed by the Investment institution.

#### 9. VAT (Payable) / Receivable

VAT (Payable) / Receivable	8 955 800	9 712 876
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VAT is payable on the receipts basis. Only once payment is received from debtors VAT is paid over to SARS.

VAT Receivable is a Statutory Receivable in context of GRAP 108. Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 8 for disclosure notes relating to Statutory receivables.

#### 10. Short term investments

ABSA Bank	92 915 551	-
Nedbank	213 839 720	225 866 812
Standard Bank	133 301 199	232 099 635
	<b>440 056 470</b>	<b>457 966 447</b>

The average rate of return on Short-term Investments was 7.83% for the year ended 30 June 2020.

#### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash	23 460	23 460
Bank balances	43 003 459	1 081 468
Short-term deposits	50 732 936	5 015 719
	<b>93 759 855</b>	<b>6 120 647</b>



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Primary Bank Account - Nedbank cheque account 1134644809	72 065 214	(347 712)	8 474 401	43 003 459	1 081 468	9 326 904
Traffic Bank Account - Nedbank 1134643764	-	-	-	-	-	-
Traffic Bank Account - Nedbank 1180421167	-	-	-	-	-	-
<b>Total</b>	<b>72 065 214</b>	<b>(347 712)</b>	<b>8 474 401</b>	<b>43 003 459</b>	<b>1 081 468</b>	<b>9 326 904</b>

	2020	2019
Investments: Current portion matures within next 12 months - Refer Note 17.	50 732 936	5 015 719

All accounts of Mossel Bay Municipality are held with Nedbank. The balance on the two Traffic fines accounts number 1134643764 - Account for Traffic fines, and number 1180421167 - Account for Traffic fines, are swept to the Primary bank account number 1134644809 on a daily basis.

The management of the municipality is of the opinion that the carrying value of Short-term Deposits, Bank Balances and Petty Cash recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Short-term Deposits, Bank Balances and Petty Cash was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

No cash and cash equivalents were pledged as security for liabilities.

No restrictions were placed on the use of cash and cash equivalents.

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Notes to the Annual Financial Statements**

Figures in Rand

**12. Property, plant and equipment**

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>Infrastructure</b>						
Coastal Infrastructure	3 993 143	(1 892 463)	2 100 680	3 993 143	(1 704 006)	2 289 137
Electrical Infrastructure	363 709 292	(125 569 357)	238 139 935	327 839 720	(112 822 674)	215 017 046
Information and Communication Infrastructure	5 581 449	(3 339 800)	2 241 649	5 148 691	(2 661 318)	2 487 373
Land	50 791 527	-	50 791 527	78 346 528	-	78 346 528
Roads Infrastructure	458 358 164	(141 700 968)	316 657 196	412 309 820	(124 576 977)	287 732 843
Sanitation Infrastructure	453 943 399	(136 771 743)	317 171 656	422 810 099	(125 914 100)	296 895 999
Solid Waste Infrastructure	53 759 337	(22 774 011)	30 985 326	25 728 690	(15 147 422)	10 581 268
Storm Water Infrastructure	205 066 222	(45 830 765)	159 235 457	193 868 627	(39 298 846)	154 569 781
Water supply Infrastructure	562 147 308	(174 562 029)	387 585 279	514 997 894	(158 572 647)	356 425 247
<b>Community Assets</b>						
Community assets	285 145 374	(71 170 695)	213 974 679	274 861 167	(66 528 265)	208 332 902
Libraries	12 851 429	(2 188 254)	10 663 175	12 851 429	(1 934 947)	10 916 482
Zoo, Marine and Non-biological Animals	35 285	(16 557)	18 728	35 285	(14 934)	20 351
Land	80 690 345	-	80 690 345	80 690 345	-	80 690 345
<b>Other Assets</b>						
Operational and Housing Buildings	151 494 492	(31 698 638)	119 795 854	151 895 822	(28 989 946)	122 905 876
Machinery and Equipment	43 462 495	(16 564 416)	26 898 079	34 388 850	(14 704 036)	19 684 814
Furniture and Office equipment	22 759 296	(13 675 321)	9 083 975	21 100 500	(12 221 063)	8 879 437
Computer equipment	16 444 176	(10 539 685)	5 904 491	15 511 059	(8 669 752)	6 841 307
Transport assets	80 423 632	(28 730 414)	51 693 218	71 325 066	(25 714 792)	45 610 274
Land	132 260 487	-	132 260 487	132 264 809	-	132 264 809
<b>Total</b>	<b>2 982 916 852</b>	<b>(827 025 116)</b>	<b>2 155 891 736</b>	<b>2 779 967 544</b>	<b>(739 475 725)</b>	<b>2 040 491 819</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand

#### 12. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Impairment reversal	Total
<b>Infrastructure</b>									
Coastal Infrastructure	2 289 137	-	-	-	-	(188 457)	-	-	2 100 680
Electrical Infrastructure	215 017 046	27 809 068	(426 041)	24 801 493	(16 097 877)	(12 963 754)	-	-	238 139 935
Information and Communication Infrastructure	2 487 373	2 222 718	(8 304)	653 726	(2 422 689)	(691 175)	-	-	2 241 649
Land	78 346 528	-	(14 204 322)	4 322	(13 355 001)	-	-	-	50 791 527
Roads Infrastructure	287 732 843	48 830 101	(61 340)	11 360 888	(14 050 737)	(17 154 559)	-	-	316 657 196
Sanitation Infrastructure	296 895 999	33 717 769	(91 182)	7 551 138	(9 986 902)	(10 915 166)	-	-	317 171 656
Solid Waste Infrastructure	10 581 268	28 182 583	-	27 606 869	(27 758 805)	(6 283 576)	(1 460 073)	117 060	30 985 326
Storm Water Infrastructure	154 569 781	7 707 098	-	7 787 220	(4 296 722)	(6 531 920)	-	-	159 235 457
Water supply Infrastructure	356 425 247	51 651 470	(161)	19 349 810	(23 773 537)	(16 067 550)	-	-	387 585 279
<b>Community Assets</b>									
Community assets	208 332 902	4 266 151	(353 606)	16 265 801	(7 688 022)	(6 833 588)	(305 470)	290 511	213 974 679
Libraries	10 916 482	-	-	-	-	(253 307)	-	-	10 663 175
Zoo, Marine and Non-biological Animals	20 351	-	-	-	-	(1 623)	-	-	18 728
Land	80 690 345	-	-	-	-	-	-	-	80 690 345
<b>Other Assets</b>									
Operational and Housing Buildings	122 905 876	15 476 268	(789 429)	1 791 497	(16 608 325)	(2 980 033)	-	-	119 795 854
Machinery and Equipment	19 684 814	8 560 204	(30 649)	4 182 327	(3 565 456)	(1 933 161)	-	-	26 898 079
Furniture and Office equipment	8 879 437	1 991 802	(15 421)	1 725 781	(1 991 803)	(1 505 821)	-	-	9 083 975
Computer equipment	6 841 307	140 425	(31 371)	1 013 239	(140 425)	(1 918 684)	-	-	5 904 491

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Notes to the Annual Financial Statements**

Figures in Rand

**12. Property, plant and equipment (continued)**

Transport assets	45 610 274	11 483 934	(623 883)	11 298 849	(12 083 335)	(3 992 621)	-	-	51 693 218
Land	132 264 809	-	(4 322)	-	-	-	-	-	132 260 487
	<b>2 040 491 819</b>	<b>242 039 591</b>	<b>(16 640 031)</b>	<b>135 392 960</b>	<b>(153 819 636)</b>	<b>(90 214 995)</b>	<b>(1 765 543)</b>	<b>407 571</b>	<b>2 155 891 736</b>

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Notes to the Annual Financial Statements**

Figures in Rand

**12. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2019**

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Impairment reversal	Total
<b>Infrastructure</b>									
Coastal Infrastructure	2 477 712	-	-	-	-	(188 575)	-	-	2 289 137
Electrical Infrastructure	209 570 450	28 446 801	(28 079)	16 792 548	(27 662 927)	(12 101 747)	-	-	215 017 046
Information and Communication Infrastructure	2 123 265	1 976 273	(10 602)	865 367	(1 832 529)	(634 401)	-	-	2 487 373
Land	78 450 071	-	(103 543)	-	-	-	-	-	78 346 528
Roads Infrastructure	278 734 806	37 830 416	(92 634)	22 785 534	(35 241 885)	(16 314 883)	-	31 489	287 732 843
Sanitation Infrastructure	277 103 311	28 304 641	-	7 529 702	(5 263 910)	(10 777 745)	-	-	296 895 999
Solid Waste Infrastructure	2 405 293	6 718 194	-	23 418 517	(22 128 265)	(232 681)	-	400 210	10 581 268
Storm Water Infrastructure	138 031 937	10 417 358	-	3 187 787	9 094 739	(6 162 040)	-	-	154 569 781
Water supply Infrastructure	344 981 041	18 581 633	-	20 740 072	(13 125 029)	(14 752 470)	-	-	356 425 247
<b>Community Assets</b>									
Community assets	211 035 954	4 250 053	-	5 412 742	(5 094 653)	(6 909 553)	(406 319)	44 678	208 332 902
Libraries	11 123 066	-	-	45 554	-	(252 138)	-	-	10 916 482
Zoo, Marine and Non-biological Animals	21 967	-	-	-	-	(1 616)	-	-	20 351
Land	80 690 345	-	-	-	-	-	-	-	80 690 345
<b>Other Assets</b>									
Operational and Housing Buildings	114 249 607	12 358 134	(54 134)	841 563	(1 521 588)	(2 967 706)	-	-	122 905 876
Machinery and Equipment	14 085 572	7 889 240	(26 361)	1 947 490	(2 622 369)	(1 588 758)	-	-	19 684 814
Furniture and Office equipment	9 061 609	1 599 527	(57 351)	1 363 855	(1 586 114)	(1 502 089)	-	-	8 879 437
Computer equipment	7 604 759	-	(84 722)	1 466 980	(2 850)	(2 142 860)	-	-	6 841 307

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**Notes to the Annual Financial Statements**

Figures in Rand

**12. Property, plant and equipment (continued)**

Transport assets	38 523 341	10 804 497	(529 432)	10 722 268	(10 417 449)	(3 492 951)	-	-	45 610 274
Land	132 264 809	-	-	-	-	-	-	-	132 264 809
	<b>1 952 538 915</b>	<b>169 176 767</b>	<b>(986 858)</b>	<b>117 119 979</b>	<b>(117 404 829)</b>	<b>(80 022 213)</b>	<b>(406 319)</b>	<b>476 377</b>	<b>2 040 491 819</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 12. Property, plant and equipment (continued)

##### Reconciliation of Depreciation Charge for Property, Plant and Equipment

The depreciation charge for the year i.r.o. the Water Treatment Plant is reallocated to water inventory consumed.

The depreciation charge for Property, Plant and Equipment was recognised as follows:

Included in the depreciation expense	88 460 629	78 194 234
Included in water inventory consumed	1 754 366	1 827 979
Total depreciation charge for the year	90 214 995	80 022 213

##### Reconciliation of Work-in-Progress 2020

	Opening balance	Additions / capital expenditure	Finalised during the year	Total
<b>Infrastructure</b>				
Electrical infrastructure	16 824 737	27 809 068	(15 640 190)	28 993 615
Information and communications infrastructure	198 000	2 222 718	(2 420 718)	-
Road infrastructure	16 669 748	48 830 101	(13 445 554)	52 054 295
Sanitation infrastructure	40 520 591	33 717 769	(7 159 191)	67 079 169
Solid waste infrastructure	3 340	28 182 583	(27 405 337)	780 586
Storm-water infrastructure	8 205 901	7 707 098	(4 296 722)	11 616 277
Water supply infrastructure	49 255 528	51 651 470	(17 354 691)	83 552 307
<b>Community Assets</b>				
Community Assets	325 950	4 266 151	(1 490 502)	3 101 599
<b>Other assets</b>				
Operational & Housing Buildings	12 184 472	15 476 268	(16 608 325)	11 052 415
Machinery and Equipment	11 361 947	8 560 204	(4 070 956)	15 851 195
Furniture and Office Equipment	-	1 991 802	(1 991 802)	-
Computer Equipment	-	140 425	(140 425)	-
Transport Assets	-	11 483 934	(11 483 934)	-
	<b>155 550 214</b>	<b>242 039 591</b>	<b>(123 508 347)</b>	<b>274 081 458</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 12. Property, plant and equipment (continued)

##### Reconciliation of Work-in-Progress 2019

	Opening balance	Additions / capital expenditure	Finalised during the year	Total
<b>Infrastructure</b>				
Electrical Infrastructure	17 275 681	24 465 874	(24 916 818)	16 824 737
Information and communications Infrastructure	198 000	3 730 728	(3 730 728)	198 000
Road Infrastructure	42 318 197	25 513 878	(51 162 327)	16 669 748
Sanitation Infrastructure	42 828 051	10 997 515	(13 304 975)	40 520 591
Solid waste infrastructure	3 340	-	-	3 340
Storm-water Infrastructure	14 366 363	11 392 251	(17 552 713)	8 205 901
Water supply Infrastructure	35 083 390	28 075 785	(13 903 647)	49 255 528
<b>Community Assets</b>				
Community Assets	1 594 224	4 355 199	(5 623 473)	325 950
<b>Other Assets</b>				
Operational & Housing Buildings	15 768 627	10 343 860	(13 928 015)	12 184 472
Machinery and Equipment	8 900 262	6 256 096	(3 794 411)	11 361 947
Furniture and Office Equipment	-	2 263 143	(2 263 143)	-
Transport Assets	-	9 431 104	(9 431 104)	-
	<b>178 336 135</b>	<b>136 825 433</b>	<b>(159 611 354)</b>	<b>155 550 214</b>



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 12. Property, plant and equipment (continued)

##### Expenditure incurred to repair and maintain property, plant and equipment

##### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	39 987 002	41 815 755
Employee related costs	59 689 915	42 512 901
Sale of goods/Inventory	10 145 331	12 366 303
General expenses	685 375	761 005
	<b>110 507 623</b>	<b>97 455 964</b>

Property, Plant and Equipment are initially recognised at cost and are carried at cost less accumulated depreciation and impairments.

There are no restrictions on the realisability of Property, Plant and Equipment or the remittance of revenue and proceeds of de-recognition.

No Property, Plant and Equipment are pledged as security for liabilities.

There were no significant delays on projects or any construction halted for the reporting period.

Refer to Note 49 for detail regarding the change in accounting estimates relating to change in useful lives and residual value of PPE assets.

Refer to Note 47 for detail regarding the correction of prior period errors.

Refer to Note 57 for the amount of contractual commitment for the acquisition of PPE. The amount of R 174 214 406 for contracted commitments is approved and contracted.

Finance lease liabilities are secured over the items of computer equipment and office equipment leased. The total carrying value of these leased assets at 30 June 2020 is R32 364 and include leased assets where the finance leases have been fully redeemed, but the assets are still used by the Municipality. The monthly payments regarding these leased assets are treated as operating leases.

Included in the carrying value of Water supply infrastructure is an amount of R93 728 787 for Seawater Desalination Plant which was completed during the 2012/13 year and is the Municipality's portion of the capital expenditure for the construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. There are no budgeted capital commitments toward the seawater Desalination facility for the following year.

##### Impairment information:

Various assets (including fences, buildings, ablution facilities) at the D'Almeida, Extension 23, Friemersheim and Van Riebeeck sport grounds carries an impairment as at the reporting date due to vandalism. Other assets that are impaired, includes: Community halls in Reebok, Sonskynvallei, Brandwacht and Restoration costs for landfill sites.

The following two reversal of impairments was done in the year under review:

- There was an impairment reversal relating to the provision for restoration of landfill sites, specifically the Greatbrak landfill site.
- Reversal of impairment on the flood lights on the D'Almeida sport field due to vandalism.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 13. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	660 997 836	(16 991 488)	644 006 348	641 505 985	(13 293 166)	628 212 819

#### Reconciliation of investment property - 2020

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	628 212 819	(234 509)	17 698 769	(1 670 731)	644 006 348

#### Reconciliation of investment property - 2019

	Opening balance	Disposals	Transfers received	Transfers	Depreciation	Total
Investment property	631 052 052	(1 881 084)	157 399	127 209	(1 242 757)	628 212 819

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no Restrictions on the realisability of investment property or the remittance of revenue and proceeds of derecognition.

There are no Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	6 007 929	4 976 896
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#### Expenditure incurred to repair and maintain investment property

No repairs and maintenance were incurred during the current or previous year.

Refer to Note 47 for detail regarding the correction of prior period errors.

The Investment Property reporting group has no under-construction assets for the past two years.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 14. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 168 379	(1 173 200)	995 179	1 220 499	(753 123)	467 376

#### Reconciliation of intangible assets - 2020

	Opening balance	Transfers received	Amortisation	Total
Computer software	467 376	947 880	(420 077)	995 179

#### Reconciliation of intangible assets - 2019

	Opening balance	Transfers received	Amortisation	Total
Computer software	593 708	250	(126 582)	467 376

#### Other information

Intangible assets are initially recognised at cost and are carried at cost less accumulated amortisation and impairments.

Intangible assets have finite useful lives and the estimated remaining useful lives are reviewed at each reporting period.

The amortisation expense is included in the line item "Depreciation and amortisation " (Note 38) in the Statement of Financial Performance.

The Municipality does not have any internally generated intangible assets.

No restrictions are placed on intangible assets.

No intangible assets were pledged as security for liabilities.

The Intangible assets reporting group has no under construction assets for the past two years.

#### Expenditure incurred to repair and maintain intangible assets

No repairs and maintenance were incurred during the current or previous year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 15. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	95 003	-	95 003	95 003	-	95 003
Conservation areas	730 200	-	730 200	730 200	-	730 200
Historical buildings	3 397 827	-	3 397 827	3 397 827	-	3 397 827
Other	2 569	-	2 569	2 569	-	2 569
<b>Total</b>	<b>4 225 599</b>	<b>-</b>	<b>4 225 599</b>	<b>4 225 599</b>	<b>-</b>	<b>4 225 599</b>

#### Reconciliation of heritage assets 2020

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments	95 003	-	-	95 003
Conservation areas	730 200	-	-	730 200
Historical buildings	3 397 827	-	-	3 397 827
Other	2 569	-	-	2 569
<b>Total</b>	<b>4 225 599</b>	<b>-</b>	<b>-</b>	<b>4 225 599</b>

#### Reconciliation of heritage assets 2019

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments	95 003	-	-	95 003
Conservation areas	730 200	-	-	730 200
Historical buildings	3 397 827	-	-	3 397 827
Other	2 569	-	-	2 569
<b>Total</b>	<b>4 225 599</b>	<b>-</b>	<b>-</b>	<b>4 225 599</b>

There is no restrictions on title and disposal of heritage assets and no heritage assets are pledged as securities.

The Heritage assets reporting group has no under construction assets for the past two years.

**Heritage assets which fair values cannot be reliably measured due to impracticability as there is no active market for these assets:**

#### Site 3419, Mossel Bay - Cave at the point

The Cape St. Blaize Cave at the point in Mosselbay, situated on site 3419, is classified as a heritage asset controlled and owned by the Municipality. The Cape St. Blaize Cave yield artefacts dating back 80 000 years. The artefacts themselves are housed at the Culture Museum which is not controlled or owned by the Municipality.

#### Sites 7357 and 2938 Mossel Bay - Harry Giddey

The Harry Giddey Park on site 2938 is classified as a heritage asset of the Municipality. The park was erected in 1887 and originally named after Queen Victoria of England to commemorate her 50th year as Queen. The park was renamed later in 1939 as the Harry Giddey Park in honour of Mr Harry Giddey, a wealthy person of Mossel Bay, for all the efforts to upgrade the park.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 15. Heritage assets (continued)

##### Heritage assets used for more than one purpose

The following heritage assets are used by the entity for more than one purpose:

Asset no	Asset Description	Amount	Alternative use description
45382	Cave at the Point	100	The Cape St. Blaize Cave itself can be classified as a heritage asset. Site 3419 is however classified as PPE due to the fact that a significant portion of the site is used as a parking area.
48383	War Memorial	4 344 828	The War Memorial itself can be classified as a heritage asset. Site 3749 is however classified as PPE due to the fact that a significant portion of the site is used as road and pavement reserves.
510784, 508072, 508074, 508075, 508076, 508077	Brick Building (Old Municipal offices), 6 & 7 Market street	14 145 359	Site 3069 is however classified as Investment Property due to the fact that a significant portion of the site is leased out and the rest is used as parking area.
44866	Harry Giddey Part & Historical freshwater fountain	395 000	Harry Giddey park itself can be classified as a heritage asset. Site 2938 is however classified as PPE due to the fact that a significant portion of the site is used as sport and recreational facilities.
495106	Great Brak river Museum	525 000	The building used as the Museum is classified as a heritage asset. Site 129/144 is however classified as PPE due to the fact that a significant portion of the site is used as a creche and parkin area for both the Museum and the creche.
47290, 507671	Info Centrum (Old Power station building), Munro avenue, Santos beach	8 442 873	Site 2165 and the building is classified as PPE due to the fact that a significant portion of this property is used for administrative purposes (used as a parking area, administrative offices and as an Info centrum).
		<b>27 853 160</b>	

##### Expenditure incurred to repair and maintain heritage assets

No repairs and maintenance were incurred during the current or previous year.

#### 16. Operating leases

##### The Municipality as lessor

Operating leases relate to Property owned by the Municipality with lease terms of between one to one hundred years. The lessee does not have an option to purchase the property at the expiry of the lease period.

##### Non-cancellable Operating Lease assets recognised in the Statement of Financial Performance

Balance at the beginning of year	176 552	196 907
Movement for the year	137 303	(20 355)
	<b>313 855</b>	<b>176 552</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 16. Operating leases (continued)

The following receipts have been recognised as an income in the Statement of Financial Performance

Rental income	6 007 930	4 976 896
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At the reporting date the Municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

Up to 1 year	4 490 900	3 399 770
1 to 5 years	13 818 994	9 101 482
More than 5 years	38 443 902	34 538 487
	<b>56 753 796</b>	<b>47 039 739</b>

The reason for the increase in lease receipts receivable in future years is mainly due to a contract for the lease of Municipal property used for the operation of the Zipline.

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

#### The Municipality as lessee

Operating leases relate to buildings with lease terms of between one to ten years, with an option to extend for a further period. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable Operating Lease liabilities recognised in the Statement of Financial Performance

Balance at the beginning of the year	1 853 952	1 845 156
Movement for the year	197 020	8 796
	<b>2 050 972</b>	<b>1 853 952</b>

The following payments have been recognised as an expenditure in the Statement of Financial Performance

Lease rentals on operating lease - Other - Contingent amounts	3 129 049	2 480 295
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At the reporting date the Municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:

Up to 1 year	2 898 219	2 884 852
1 to 5 years	6 340 419	8 028 241
More than 5 years	309 345	1 519 742
	<b>9 547 983</b>	<b>12 432 835</b>

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 17. Investments

Long-term Investments	60 000 000	48 000 000
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No investments were written off during the year.

The rate of return on Long-term Investments was 10.65% for the year ended 30 June 2020.

Investments are made in accordance with the Municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- Council's total investment portfolio be invested with banks according to the investment policy
- Not more than 50% of the total investments placed with one institution

Long-term Deposits: Other bodies (Group Schemes):

These deposits are Group Scheme funds of employees that are paid over to the Municipality, who then invests these funds in the name of the employee in Money market funds. It therefore has no impact on the Municipality's Statement of Financial Position.

As at 30 June 2020 all deposits of this kind was withdrawn and paid out to beneficiaries.

#### 18. Other financial liabilities

##### **At amortised cost**

Long term loans	93 368 382	30 830 781
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##### **Long term loans:**

The Municipality has taken up a R30 million loan from the Development Bank of South Africa to fund the Seawater Desalination plant constructed in the 10/11 financial year. This loan is for a period of 30 years and bears interest at a floating rate of 10.55%.

The Municipality has taken up a R4,8 million loan from ABSA Bank in the 15/16 financial year, a R6,5 million loan from ABSA in the 16/17 financial year and a R5,6 million loan from Nedbank in the 17/18 year to fund the Midbrak main sewer network project. These loans are for a period of 10 years. The 4.8 million loan bears interest at a floating rate of 9%, whilst the other two loans bear interest at an all-in rate of 10% and 9%, respectively.

In the current financial year, Mossel Bay Municipality has taken up loans to the amount of R64,8 million from the Development Bank of South Africa for various Capital projects. These loans are for 10 year periods and bears interest at at fixed rate of 9.47%.

The loans are redeemed bi-annually.

Refer to Appendix A for more detail on other financial liabilities.

Refer to Note 47 for detail regarding the reclassifications.

##### **Impact of COVID-19:**

No terms were renegotiated with lenders and therefore the valuation of liabilities remains unaffected by the current economic conditions.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 18. Other financial liabilities (continued)

##### Non-current liabilities

At amortised cost

82 319 904      27 342 832

##### Current liabilities

At amortised cost

11 048 478      3 487 949

**93 368 382      30 830 781**

#### 19. Finance lease obligation

Opening balance

4 197      17 141

Addition

-      -

Redemption

(4 197)      (12 944)

**-      4 197**

##### Minimum lease payments due

- within one year

-      4 340

less: future finance charges

-      4 340  
-      (143)

##### Present value of minimum lease payments

**-      4 197**

##### Present value of minimum lease payments due

- within one year

-      4 197

Non-current liabilities

-      -

Current liabilities

-      4 197

**-      4 197**

Finance lease liabilities relate to computers with lease terms not more than five years. Finance leases bear interest at 7.19 percent for Computers. Finance lease liabilities are secured by the items of computers leased.

The computers held as security for the finance lease liabilities had a carrying value of R12 620 as at 30 June 2019.

All finance leases were redeemed in full as at 30 June 2020.

Refer to Note 47 for detail regarding the correction of prior period errors.



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

##### Non-current liabilities

Post-Retirement Medical Aid benefits liability	110 327 000	121 110 000
Ex-gratia pension benefits liability	1 141 489	1 289 459
Long service awards	16 492 000	15 471 049
	<b>127 960 489</b>	<b>137 870 508</b>

##### Current liabilities

Post-Retirement Medical Aid benefits liability	6 949 000	5 925 000
Ex-gratia pension benefits liability	244 458	179 952
Long service awards	1 637 000	1 679 484
Performance bonus accrual	1 044 535	941 980
Staff leave accrual	18 838 114	14 394 799
Employee bonus accrual	7 777 806	6 924 683
Employee overtime / Standby allowance accrual	1 635 622	1 373 691
	<b>38 126 535</b>	<b>31 419 589</b>

##### Total liabilities

Post-Retirement Medical Aid benefits liability	117 276 000	127 035 000
Ex-gratia pension benefits liability	1 385 947	1 469 411
Long service awards	18 129 000	17 150 533
Performance bonus accrual	1 044 535	941 980
Staff leave accrual	18 838 114	14 394 799
Employee bonus accrual	7 777 806	6 924 683
Employee overtime / Standby allowance accrual	1 635 622	1 373 691
	<b>166 087 024</b>	<b>169 290 097</b>

The prior period balances were restated for prior year errors. Refer to notes 47 for more detail.

#### **20.1 POST EMPLOYMENT HEALTH CARE BENEFITS**

Medical Scheme arrangements:

The employer offers in-service members and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

##### Post-employment Subsidy policy:

In-service members will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement, and subject to the following minimum service conditions:

- If appointed after 01/07/2013, but before or on 01/09/2014, the in-service member must have at least 10 years' uninterrupted service.
- If appointed after 01/09/2014, but before or on 01/03/2017, the in-service member must have at least 15 years' uninterrupted service. In this scenario, if the in-service member was appointed after 01/05/2015 and meets the stipulated minimum service, then receipt of the post-employment medical aid subsidy may commence from age 65 only.
- In-service members appointed after 01/03/2017 do not qualify for a post-employment medical aid subsidy.

All continuation members and their eligible dependants receive a subsidy of 70%. However, there are three members who receive a subsidy of 100%.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 20. Employee benefit obligations (continued)

Upon a member's death-in-service, surviving dependants are allowed to commence receipt of the same post-employment subsidy. The minimum service and membership conditions mentioned above do not apply to death-in-service benefits. Upon a member's death-in-retirement, surviving dependants are allowed to continue to receive the same subsidy.

All post-employment subsidies are subject to a maximum of R 4 773.12 (2020: R 4 492.35) per member per month, for the year ending 30 June 2021, except for a certain sub-group of continuation members that either retired before the maximum subsidy came into effect or who formed part of the arrangement long ago when the Municipality merged. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

#### Valuation method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines and in particular the Advisory Practice Note 301, which meets the requirements of GRAP 25.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	424	448
Continuation members	139	127
	<b>563</b>	<b>575</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

The unfunded liability in respect of past service has been estimated as follows:

In-service (employee) members	36 602 000	49 579 215
Continuation members	80 674 000	77 456 000
	<b>117 276 000</b>	<b>127 035 215</b>

#### Summary of the in-service membership

Number of principal members	424	448
Average age (years)	43	43
Average past service (years)	13	12
Average employer monthly contribution	3 078	2 883
Average number of dependants	2	2

#### Summary of the continuation membership:

Number of principal members	139	127
Average age (years)	69	69
Average employer monthly contributions	4 041	3 760
Portion with a spouse dependant	51 %	50 %

The municipality contributes monthly for health care arrangements, to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Key Health
- SamwumedD

#### Results of valuations:

#### Results of Valuations

#### Accrued Liability

In-service members	36 602 000	49 579 215
Continuation members	80 674 000	77 456 000
	<b>117 276 000</b>	<b>127 035 215</b>

#### All members

Total value of liabilities	117 276 000	127 035 000
Value of assets	-	-

#### Unfunded accrued liability

<b>117 276 000</b>	<b>127 035 000</b>
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The total liability decreased by (7,68)% over the accounting period.

#### Current service and interest cost

Current service cost (Active employees)	3 762 000	1 261 017
Interest cost (All members)	11 607 000	9 413 000
	<b>15 369 000</b>	<b>10 674 017</b>

#### Actuarial gains and losses

Actuarial (Gain) / Loss for the period	(18 652 846)	23 867 397
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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

The main reasons for the movement in the liability:

The total liability has decreased by (7,68)% (R (9,759) million) since the last valuation.

In-service members:

The average in-service member liability has decreased by 22% since the last valuation due to large increases in the net discount rates. This impact was partially offset by the following factors:

- an increase in the average age which means members are closer to retirement (less discounting) and less likely to leave before retirement;
- an increase in the average past service; and
- an increase in the average post-employment subsidy.

The total in-service member liability has decreased by 26% due to the above, combined with a decrease in the number of in-service members.

Continuation members:

The average continuation member liability has decreased by 5% since the last valuation due to increases in the net discount rates. This impact was partially offset by:

- an increase in the proportion of members with a spouse dependant;
- an increase in the average subsidy; and
- a decrease in the average age.

The total continuation member liability has increased by 4% due to the above being more than offset by an increase in the number of continuation members.

<b>Past and future changes in the accrued liability</b>	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022
Opening accrued liability	86 072 000	98 271 000	127 035 000	117 276 000	124 530 000
Current service cost	2 933 000	3 621 000	3 762 000	2 746 000	3 022 000
Minimum Service Eligibility Conditions	-	(2 359 983)	-	-	-
Interest Cost	7 709 000	9 413 000	11 607 000	11 457 000	12 166 000
Contributions (Benefit payments)	(5 387 373)	(5 777 414)	(6 475 154)	(6 949 000)	(7 377 000)
	91 326 627	103 167 603	135 928 846	124 530 000	132 341 000
Actuarial Loss / (Gain)	6 944 373	23 867 397	(18 652 846)	-	-
	<b>98 271 000</b>	<b>127 035 000</b>	<b>117 276 000</b>	<b>124 530 000</b>	<b>132 341 000</b>

\*Notes to the above table:

- The projections assume that the employer's health care arrangements and subsidy policy will remain as outlined and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle.
- Contributions or benefits paid refer to medical scheme contributions made by the employer with respect to its subsidy of current continuation members.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

##### Key actuarial assumptions used:

In estimating the unfunded liability for post-employment health care benefits a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

Financial assumptions:

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Assumption	2020	2019
Discount rate	10,06 %	9,35 %
Health care cost inflation	6,16 %	6,80 %
Net-of-health-care-cost-inflation discount rate	3,67 %	2,39 %
Maximum subsidy inflation rate	4,25 %	4,73 %
Net-of-maximum-subsidy-inflation discount rate	5,58 %	4,42 %

The methodology of setting the financial assumptions:

GRAP 25 stipulates that the choice of the discount rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate of 10,06% per annum has been used. The corresponding index-linked yield at this term is 4.68%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020. The rates were calculated using a liability-weighted average of the yields for the three components of the liability (i.e. in-service members' retirement liability, death-in-service liability and continuation members' liability). Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration.

A healthcare cost inflation rate of 6,16% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 4.66%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3,67% which derives from  $[(1+10,06\%)/(1+6,16\%)]-1$ .

The expected inflation assumption of 4.66% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.68%) and those of fixed interest bonds (10,06%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows:  $[(1+10,06\%-0.50\%)/(1+4.68\%)]-1$ .

The next contribution increase was assumed to occur with effect from 01 January 2021.

The maximum subsidy inflation rate assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R 4 773.12 per member per month for the year ending 30 June 2021. The annual increases to this maximum amount are periodically specified by the local government bargaining council.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

Recent past annual increases balanced with sustainability needs of employees have resulted in the assumption being set at 75% of salary inflation. The future salary inflation assumption of 5.66% was set to be 1% above expected CPI inflation. Thus, a maximum subsidy inflation assumption of 4,25% was assumed. The next increase to the maximum subsidy was assumed to occur with effect from 01 July 2021.

The replacement ratio is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic Assumptions:

Assumption	2020	2019
Normal retirement age	65	65
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90
Mortality post-employment	PA(90)-1 with a 1% mortality improvement p.a. from 2010	PA(90)-1 with a 1% mortality improvement p.a. from 2010
Proportion with a spouse dependant at retirement	80%	80%
Continuation of membership at retirement	90%	90%

The normal retirement age of employees is 65 years. It has been assumed that in-service members will retire at age 63 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-service members who have passed the assumed retirement age have been assumed to retire at their next birthday.

It has been assumed that 90% of in-service members will remain on the employer's health care arrangement should they stay until retirement.

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, it has been assumed that 80% of eligible in-service members on a health care arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

It is recognised that a contingent liability may exist in respect of employees who have not joined a medical aid scheme, but would be entitled to this benefit should they join a medical aid in the future and satisfy the eligibility requirements. It was assumed that these employees will not join a medical aid scheme.

Other assumptions:

It has been assumed that continuation members will remain on the same medical scheme and option. In-service members were assumed to remain on the same medical scheme and option, should they continue to receive the subsidy after retirement.

Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.

#### Withdrawal rates over the current valuation period:

Age band	Withdrawal rate - males	Withdrawal rate - females
20 - 24	9 %	9 %
25 - 29	8 %	8 %
30 - 34	6 %	6 %
35 - 39	5 %	5 %
40 - 44	5 %	5 %

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

45 - 49	4 %	4 %
50 - 54	3 %	3 %
55+	0 %	0 %

If an in-service member leaves, the employer's liability in respect of that employee ceases.

Amounts recognised in the Statement of Financial Position are as follows:	2020	2019
Present value of fund obligations	117 276 000	127 035 000
Fair value of plan assets	-	-
Unfunded accrued liability	117 276 000	127 035 000
Unrecognised transitional liability	-	-
Unrecognised past service cost	-	-
Unrecognised actuarial gains (losses)	-	-
Miscellaneous item	-	-
<b>Net liability</b>	<b>117 276 000</b>	<b>127 035 000</b>

#### The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	3 762 000	1 261 017
Interest cost	11 607 000	9 413 000
Actuarial (gains) / loss	(18 652 846)	23 867 397
<b>Total included in employee related cost - Refer to note 36</b>	<b>(3 283 846)</b>	<b>34 541 414</b>

#### History of Liabilities, Assets and Experience Adjustments

##### Present value of accrued liability and Fair value of plan assets

	Year ended 30/06/2016 R'000	Year ended 30/06/2017 R'000	Year ended 30/06/2018 R'000	Year ended 30/06/2019 R'000	Year ended 30/06/2020 R'000
Present value of accrued liability	96 341	78 340	98 271	127 035	117 276
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(96 341)</b>	<b>(78 340)</b>	<b>(98 271)</b>	<b>(127 035)</b>	<b>(117 276)</b>

##### History of Experience adjustments: Gains and Losses:

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	Year ended 30/06/2016 R'000	Year ended 30/06/2017 R'000	Year ended 30/06/2018 R'000	Year ended 30/06/2019 R'000	Year ended 30/06/2020 R'000
Plan liabilities (gain) / loss	(91)	(12)	10	(5)	2
Plan assets gain / (loss)	-	-	-	-	-

##### Sensitivity analysis:

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mossel Bay Municipality.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

	Decrease	30 June 2020 Valuation basis R'000	Increase
	R'000		R'000
Effect of a 1% change in the health care inflation rate on total liability	106 938	117 276	126 678
Effect of a 1% change in the discount rate on total liability	133 005	117 276	104 479
Effect of a 1% change in the health care inflation rate on current service cost	3 277	3 762	4 095
Effect of a 1% change in the health care inflation rate on interest cost	10 493	11 607	12 595
Effect of a 1% change in the discount rate on current service cost	4 663	3 762	3 078
Effect of a 1% change in the discount rate on interest cost	11 991	11 607	11 237

#### Mortality

The table that follow shows the impact of a change in the mortality assumption from the base assumption of PA(90)-1. It shows the effect of a decrease in the post-employment mortality, average retirement age and continuation of membership at retirement, respectively.

	Decrease	30 June 2020 Valuation basis R'000	Increase
	R'000		R'000
Effect of a 1-year change in the post-employment mortality* on the total liability	120 426	117 276	114 098
Effect of a 1-year decrease in the average retirement age on the total liability	120 174	117 276	-
Effect of a 10% decrease in the continuation of membership at retirement on the total liability	113 627	117 276	-
Effect of a 1 year decrease in the post-employment mortality* on current service cost	3 852	3 762	-
Effect of a 1-year decrease in the post-employment mortality* on interest cost	11 959	11 607	-
Effect of a 1-year decrease in the average retirement age on the current service cost	4 058	3 762	-
Effect of a 1-year decrease in the average retirement age on the interest cost	11 936	11 607	-
Effect of a 10% decrease in the continuation of membership at retirement on the current service cost	3 392	3 762	-
Effect of a 10% decrease in the continuation of membership at retirement on the interest cost	11 140	11 607	-

*\*The post-employment mortality adjustment assumed that someone aged 70 years will experience the mortality of someone aged 69 years. The liability is expected to increase under this scenario because members are expected to live longer.*



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 20. Employee benefit obligations (continued)

##### **IMPACT OF COVID-19:**

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available. If the return to economic normalcy is extended, then the Municipality's experience regarding resignations and retrenchments may also be affected. Medical scheme contributions are also likely to increase by more than expected.

30 June 2020 long-term government bond yields (which drive the main figures in this report) increased dramatically since the early stages of the pandemic. This pushes up the net discount rate which in turn reduces the liability. It is impossible to say how long-lasting this volatility in the prescribed discount rate and its consequent impact on the liability is likely to be. The sensitivities in above tables may be used to estimate the possible impact on the liability (and expenses) by an increase in the health care inflation rate, or an increase in the discount rate, or a reduction in longevity (" +1 yr" in the tables).

##### **20.2 EX-GRATIA GRATUITIES**

The employer's ex-gratia pensions liability consists of a commitment to pay pensions to eligible employees upon meeting the condition admissible for an ex-gratia pension. This liability is also generated in respect of spouse dependants who are offered continued ex-gratia pensions on the death of the primary ex-gratia pensioner.

Mossel Bay is committed to pay ex-gratia pensions as follows:

- The ex-gratia pensions are paid by the Municipality from its revenue and are therefore not funded or paid from any of the Municipality's pension funds. The revenue pensions are also referred to as "ex-gratia" pensions. Ex-gratia pensioners receive a monthly ex-gratia pension, increased annually and payable for life.
- There is a 60% contingent pension payable to a spouse upon the pensioner's death.
- Pension amounts are fixed.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

##### Valuation method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been used to value the liabilities. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 301, and meets the requirements of GRAP 25.

##### **Statistics on eligible retirees:**

	2020	2019
Number of pensioners	5	6
Employer's average monthly pension payment	2 957	2 499
Pension-weighted average age (years)	80	79
Portion married	40 %	33 %

##### Results of Valuation:

##### **Accrued liability**

Total value of liabilities	1 385 947	1 469 411
Value of assets	-	-

##### **Unfunded accrued liability**

<b>1 385 947</b>	<b>1 469 411</b>
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The total liability decreased by 6,02% over the accounting period.

##### **Interest Costs and Current-Service Costs**

Interest Costs and Current Service Costs		
Total interest cost	26 960	120 000
Current-Service Costs	-	-
	<hr/>	<hr/>
	26 960	120 000

The interest cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because all future ex-gratia benefits are one year closer to payment.

The current-service cost is nil as there are no current employees entitled to an ex-gratia pension benefit.

The Total interest cost for the year under review includes a correction to the amount of R73 440 for the Inflation allowance that is removed.

##### **Actuarial gains and losses**

Actuarial (gain) / loss for the period	67 014	66 193
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##### The main reasons for the movement in the liability:

The average liability has increased by 13% since the last valuation due to:

- an increase in the average pension;
- an increase in the proportion of married pensioners;
- an increase in the net discount rate;
- changes to pensioners profile being different from previously assumed; and
- Actual benefits vesting, lower than expected.

The total liability has decreased by 6% (or R83 464) since the last valuation, due to the above being more than offset by a decrease in the number of pensioners.

##### **Past and future changes in the accrued liability**

<b>Liability History</b>	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022
Opening accrued liability	1 546 000	1 475 000	1 469 411	1 385 947	1 279 526
Current service cost*					
Interest cost	124 000	120 000	100 400	71 023	65 525

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

Benefit payments	(195 725)	(191 782)	(177 438)	(177 444)	(165 456)
Actuarial (gain) / losses	725	66 193	67 014	-	-
Inflation allowance removed	-	-	(73 440)	-	-
<b>Surplus / (Deficit)</b>	<b>1 475 000</b>	<b>1 469 411</b>	<b>1 385 947</b>	<b>1 279 526</b>	<b>1 179 595</b>

\*Notes to the above table:

- The projections assume that the ex-gratia arrangements remain as outlined, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

#### Key actuarial assumptions used:

In estimating the unfunded liability for the ex-gratia liability, a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

#### Financial assumptions:

It is difficult to predict future investment returns and pension increase rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

<b>Net discount rate</b>	<b>2020</b>	<b>2019</b>
Discount rate (D)	5,47 %	7,27 %
Ex-Gratia pension increase (50% of CPI)	- %	2,02 %
Net discount rate $((1+D)/(1+H)-1)$	5,47 %	5,15 %

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

##### The methodology of setting the financial assumptions:

GRAP 25 stipulates that the choice of the discount rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate of 5,47% per annum has been used. The corresponding index-linked yield at this term is 3.01%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020.

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

##### Demographic and Decrement Assumptions:

The demographic assumptions are required about the future characteristics of pensioners who are eligible for ex-gratia benefits, and are as follows:

	Ex-Gratia Pensioners
Mortality in retirement	PA (90) - 1 with a 1% mortality improvement p.a. from 2010

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from  $[1-(1-1\%)^2]$ , and so on.

It has been assumed that all principal members with spouse dependants will be in heterosexual, monogamous partnerships and that female spouses will be five years younger than their male counterparts.

##### **The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	1 385 947	1 469 411
Fair value of plan assets	-	-
	<b>1 385 947</b>	<b>1 469 411</b>
Unrecognised transitional liability	-	-
Unrecognised past service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Miscellaneous item	-	-
<b>Net liability</b>	<b>1 385 947</b>	<b>1 469 411</b>

##### **The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	-	-
Interest cost	100 400	120 000
Actuarial (gains) / losses	67 014	66 193
Inflation allowance removed	(73 440)	-
<b>Total included in employee related cost - Refer to note 36</b>	<b>93 974</b>	<b>186 193</b>

##### **History of Liabilities, Assets and Experience Adjustments:**

##### **Present value of accrued liability and Fair value of plan assets**

Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

Present value of accrued liability	1 625 000	1 546 000	1 475 000	1 469 411	1 385 947
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(1 625 000)</b>	<b>(1 546 000)</b>	<b>(1 475 000)</b>	<b>(1 469 411)</b>	<b>(1 385 947)</b>

#### Experience adjustments:

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Plan liabilities (gain) / loss	5 000	(5 000)	17 000	(144 080)	18 415
Plan assets	-	-	-	-	-

#### Sensitivity analysis:

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mossel Bay Municipality.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

	1% decrease	30 June 2020 Valuation basis	1% increase
Effect of a 1% change in the discount rate on the total liability	1 466 847	1 385 947	1 313 269
Effect of a 1% change in the discount rate on the interest cost	92 119	100 400	107 673

#### Mortality:

The table that follow shows the impact of a change in the mortality assumption:

	Decrease	30 June 2020 Valuation basis	Increase
Effect of a 1-year change in the post-retirement mortality on the total liability	1 442 049	1 385 947	1 330 542
Effect of a 1-year decrease in the post-retirement mortality on the interest cost	104 668	100 400	-

#### Impact of COVID-19:

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available.

30 June 2020 long-term government bond yields (which drive the main figures in this report) changed dramatically since the early stages of the pandemic. It is impossible to say how long-lasting this volatility in the prescribed discount rate and its consequent impact on the liability is likely to be.

The sensitivity analysis may be used to estimate the possible impact on the liability (and expenses) by a change in the discount rate, or a reduction in longevity (" +1 yr" in the tables).

#### **20.3 LONG SERVICE AWARDS**

The long service bonus awards are accumulated leave days allocated for years of service by the employee to the Municipality. The long service bonus awards are allocated in the form of annual leave days and is convertible into cash in the year the employee attains the service eligible for an award. As a result, the award is also a function of the employee's annual salary. The annual salary is converted into a daily salary by dividing the annual salary by 249.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

##### Nature of the liability:

The employer's long service bonus awards consist of an obligation to pay out a bonus in the year the employee attains the required service. This obligation represents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the employer's current policy.

Mossel Bay Municipality offers bonuses for every 5 years of completed service from 10 years to 45 years. In addition, a 14th Cheque is awarded from 30 years of service onwards to 45 years. Below we outline the benefits awarded to qualifying employees.

Completed Service (Years)	Long Service Bonuses (% of Annual Earnings)	14th Cheque	Determination of cash bonus
10	4.0%	-	$(10/249^*) \times \text{Annual Salary}$
15	6.0%	-	$(15/249^*) \times \text{Annual Salary}$
20	8.0%	-	$(20/249^*) \times \text{Annual Salary}$
25	10.0%	-	$(25/249^*) \times \text{Annual Salary}$
30	20.4%	14th cheque = $1/12 \times \text{Annual Salary}$	$(30/249^* + 1/12) \times \text{Annual Salary}$
35	22.4%	14th cheque = $1/12 \times \text{Annual Salary}$	$(35/249^* + 1/12) \times \text{Annual Salary}$
40	24.4%	14th cheque = $1/12 \times \text{Annual Salary}$	$(40/249^* + 1/12) \times \text{Annual Salary}$
45	26.4%	14th cheque = $1/12 \times \text{Annual Salary}$	$(45/249^* + 1/12) \times \text{Annual Salary}$

\*A day of accumulated leave is worth 1/249 of the annual salary.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. The assumption is that in all cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

##### Valuation method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been used to value the liabilities. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 301, and meets the requirements of GRAP 25.

##### Valuation of Assets:

The Long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability that qualify as plan assets in terms of the requirements of GRAP 25. As such a nil value has been ascribed to the fair value of plan assets.

##### **Statistics on eligible employees**

Number of eligible employees	969	927
Average annual earnings (Rand)	205 666	188 606
Earnings-weighted average age (years)	43,8	43,9
Earnings-weighted average past service (years)	11,3	11,0

##### Results of valuation:

##### **Accrued liability**

Total value of liabilities	18 129 000	17 150 533
Value of assets	-	-

##### **Unfunded Accrued Liability**

<b>18 129 000</b>	<b>17 150 533</b>
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Average liability per employee	18 709	18 501
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The total liability increased by 5,7% over the accounting period.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

The main reasons for the movement in the liability:

The average liability has increased by 1% since the last valuation due to:

- an increase in the average earnings;
- an increase in the net discount rate;
- changes to employee profile different from assumed; and
- actual benefits vesting, greater than expected.

The total liability has increased by 6% (or R 978 467) due to the above, combined with the fact that there are 42 more eligible employees than at the last valuation.

<b>Past and Future Changes in the Accrued Liability:</b>	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022
Opening Accrued Liability	15 326 000	16 572 000	17 150 533	18 129 000	19 370 000
Current service cost	1 122 000	1 211 000	1 489 324	1 570 000	1 689 000
Interest cost	1 293 000	1 448 000	1 342 110	1 308 000	1 385 000
Benefit payments	(1 650 770)	(1 004 309)	(1 856 548)	(1 637 000)	(2 079 000)
Actuarial Loss / (Gain)	481 770	(1 076 158)	3 581	-	-
	<b>16 572 000</b>	<b>17 150 533</b>	<b>18 129 000</b>	<b>19 370 000</b>	<b>20 365 000</b>

\*Notes to the above table:

- These projections assume that the long service awards arrangements remain as outlined, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

Key actuarial assumptions used:

In estimating the unfunded liability for long service awards a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

Financial Variables:

It is difficult to predict future investment returns and earnings inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

<b>Net discount rate</b>	<b>2020</b>	<b>2019</b>
Discount rate	7,55 %	8,22 %
General earnings inflation rate (long-term)	4,11 %	5,59 %
Net discount rate	3,30 %	2,49 %

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

##### The methodology of setting the financial assumptions:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate of 7,55% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 7,55% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.82%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 30 June 2020.

The liability-weighted average term of the total liability is 7.40 years.

The earnings inflation rate assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important that the long service awards are based on an employee's earnings at the date of the award.

The general earnings inflation is more stable relative to the growth in CPI than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 4,11% was obtained from the differential between market yields on index-linked bonds (3.82%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.55%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $[(1+7,55\%-0.50\%)/(1+3.82\%)]-1$ .

Thus, a general earnings inflation rate of 4,11% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3,30%.

It has been assumed that the next earnings increase will take place on 01 July 2021.

##### Demographic and mortality assumptions:

	2020	2019
Normal retirement age (years)	65	65
Average retirement age	63	63
Pre-retirement mortality	SA85-90	SA85-90

The normal retirement age of employees is 65 years. It has been assumed that employees will retire at age 63 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed retirement age, have been assumed to retire at their next birthday.

##### Promotional earnings scale:

The annual inflation rates below are in addition to the general earnings inflation assumption of 4,11% per annum for all employees:

Age band	Promotional increases
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
>44	0%



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

##### Withdrawal from service:

The following withdrawal assumptions were applicable over the current valuation period:

##### **Withdrawal rates over the current valuation period:**

Age band	Withdrawal rate - males	Withdrawal rate - females
20 - 24	9 %	9 %
25 - 29	8 %	8 %
30 - 34	6 %	6 %
35 - 39	5 %	5 %
40 - 44	5 %	5 %
45 - 49	4 %	4 %
50 - 54	3 %	3 %
55+	0 %	0 %

##### **The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	18 129 000	17 150 533
Fair value of plan assets	-	-
	<b>18 129 000</b>	<b>17 150 533</b>
Unrecognised transitional liability	-	-
Unrecognised past service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Miscellaneous item	-	-
<b>Net liability</b>	<b>18 129 000</b>	<b>17 150 533</b>

##### **The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	1 489 324	1 211 000
Interest cost	1 342 110	1 448 000
Actuarial losses / (gains)	3 581	(1 076 158)
	<b>2 835 015</b>	<b>1 582 842</b>

#### **HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS:**

##### **Present value of accrued liability and Fair value of plan assets**

	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Present value of accrued liability	14 673 000	15 326 000	16 572 000	17 150 533	18 129 000
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(14 673 000)</b>	<b>(15 326 000)</b>	<b>(16 572 000)</b>	<b>(17 150 533)</b>	<b>(18 129 000)</b>

##### Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

Plan liabilities (gain) / loss	(46 000)	548 000	793 000	(1 308 326)	991 581
Plan assets gain / (loss)	-	-	-	-	-

#### Sensitivity Analysis:

The liability derived by this valuation is dependent on the assumptions set out, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses and will be recognised by Mossel Bay Municipality in accordance with a consistently applied amortisation process.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below:

	1% decrease	30 June 2020 Valuation basis	1% increase
Effect of a 1% change in the general earnings inflation rate on total liability	16 982 000	18 129 000	19 406 000
Effect of a 1% change in the discount rate on total liability	19 457 000	18 129 000	16 954 000
Effect of a 1% change in the general earnings inflation rate on current service cost	1 361 700	1 489 300	1 635 400
Effect of a 1% change in the general earnings inflation rate on interest rate	1 250 700	1 342 100	1 444 400
Effect of a 1% change in the discount rate on current service cost	1 625 800	1 489 300	1 371 700
Effect of a 1% change in the discount rate on interest cost	1 272 800	1 342 100	1 400 000

#### Mortality

The table that follow shows the impact of a change in the mortality assumption:

	decrease	30 June 2020 Valuation basis SA85-90	Increase
Effect of a 2-year change in the average retirement age on total liability	15 639 000	18 129 000	20 381 000
Effect of a two-fold increase and a 50% decrease in the withdrawal rate on total liability	20 667 000	18 129 000	14 565 000
Effect of a 2-year change in the average retirement age on current service cost	1 315 100	1 489 300	1 647 500
Effect of a 2-year change in the average retirement age on interest cost	1 142 400	1 342 100	1 517 500
Effect of a 50% decrease in the withdrawal rate on current service cost	1 847 000	1 489 300	-
Effect of a 50% decrease in the withdrawal rate on interest cost	1 549 700	1 342 100	-

#### **Impact of COVID-19:**

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (and when) a treatment or vaccine will become available. If the return to economic normalcy is extended, then the Municipality's experience regarding resignations and retrenchments may also be affected.

30 June 2020 long-term government bond yields (which drive the main figures in this report) increased dramatically since the early stages of the pandemic. This pushes up the net discount rate which in turn reduces the liability. It is impossible to say how long-lasting this volatility in the prescribed discount rate and its consequent impact on the liability is likely to be.

The sensitivity analysis may be used to estimate the possible impact on the liability (and expenses) by an increase in the general earnings inflation rate, or an increase in the discount rate, or an increase in the withdrawal rates.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 20. Employee benefit obligations (continued)

##### **18.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS**

The personnel of Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

##### **18.4.1 Consolidated Retirement Fund (previously Cape Joint Retirement Fund)**

The most recent valuation for the Consolidated Retirement Fund was performed for the year ended 30 June 2019. As at the valuation date, the total value of net assets of the Fund was R26.2 billion (2018: R24.1 billion). After deducting the Risk Reserve Account of R 60.1 million, the Living Annuity Account of R 4.4 million and the Data Reserve Account of R 22.8 million, the combined assets of the Member Share Account, Processing Reserve Account, Preservation Pension Account and Pensions Account amounted to R 26.1 billion million as at 30 June 2019.

An effective investment return of 5.2% per annum was awarded for the Growth Portfolio.

A pension increase of 4.6% was granted to pensioners effective 01 March 2019. A 100% of monthly pension discretionary bonus was awarded, payable in December 2018 as well as a discretionary bonus of nine months pension was awarded, payable in September 2019.

The funding level for the Member Share Account and Processing Reserve Account was 100.3%, for the Preservation Pension Account and 124.9% for the Pensions Account.

##### **18.4.2 SALA Pension Fund**

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme. It is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The most recent valuation for the SALA Pension Fund was performed as at end December 2018. The valuation revealed that as at the valuation date the total assets of the fund was R14.299 billion.

The total market value of the investments held by the Fund on the valuation date was R 14.561 billion.

The return earned on the assets backing the active members' liability averaged 7.14% per annum over the valuation period, whilst the return earned on the assets backing the pensioner liability averaged 7.21% per annum over the valuation period.

As at the valuation date, the fund is 96% funded. After an allowance for a contribution reserve the Fund has a deficit of R601.2 million and hence the value of the solvency reserve has reduced from R304.3 million to zero at the valuation date. The actuaries who performed the valuation regard the deficit as relatively small and attribute the drop in the funding level to short term fluctuations.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2020**

### **Notes to the Annual Financial Statements**

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#### **20. Employee benefit obligations (continued)**

##### **18.4.3 Municipal Councillors' Pension Fund**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%).

The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months. As at the financial year end, the process is still in progress.

##### **18.4.4 Municipal Workers Retirement Fund (previously South African Municipal Workers Union National Provident Fund)**

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.

The most recent valuation for the Municipal Workers Retirement Fund was performed for the year ended 30 June 2015. As at the valuation date, the fund showed an excess of R 41.783 million (corresponding to a funding level of 100.42%). The previous valuation as at 30 June 2014 revealed an excess of R 9.251 million (corresponding to a funding level of 100.10%).

The main reason for the improvement in the financial position was the cost deduction from July 2014 to April 2015. Over this period, the fund return was reduced by 0.06% per month and only reduced to 0.05% per month from May 2015 onward. This resulted in a total deduction of approximately R 69.1 million to cover investment fees not deducted directly off investment returns and expenses not directly deducted from the members' contributions, which totaled R 50.6 million over the valuation period resulting in a profit of R 18.5 million (or 0.18% of assets) over the valuation period.

The assets of the fund are sufficient to cover 100.42% of the members' liabilities as at 30 June 2015 and the fund was hence financially sound.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 20. Employee benefit obligations (continued)

##### **18.5 OTHER CURRENT EMPLOYEE BENEFIT OBLIGATIONS:**

##### **18.5.1 PERFORMANCE BONUS ACCRUAL**

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

The movement on the performance bonus accrual consist of the following:

Balance at the beginning of the year	941 979	956 857
Contributions to provision	874 454	912 044
Expenditure incurred	(771 898)	(926 921)
	<b>1 044 535</b>	<b>941 980</b>

##### **18.5.2 STAFF LEAVE ACCRUAL**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and the total remuneration package of the employee.

The movement on the staff leave accrual consist of the following:

Balance at the beginning of the year	14 394 799	14 691 333
Contributions to provision	5 474 414	934 049
Expenditure incurred	(1 031 099)	(1 230 583)
	<b>18 838 114</b>	<b>14 394 799</b>

##### **18.5.3 EMPLOYEE BONUS ACCRUAL**

Annual bonuses accrue to employees on an annual basis, based on the employee contract. These accruals are an estimate of the amount due to staff as at the financial year end.

The movement on the employee bonus accrual consist of the following:

Balance at the beginning of the year	6 924 683	5 157 635
Contributions to provision	15 769 930	15 431 991
Expenditure incurred	(14 916 807)	(13 664 943)
	<b>7 777 806</b>	<b>6 924 683</b>

##### **18.5.4 EMPLOYEE OVERTIME / STANDBY ALLOWANCES**

An accrual is done for the overtime / standby allowances that accrued to employees with regards to the financial year.

The movement on the employee overtime / standby allowance accrual consist of the following:

Balance at the beginning of the year	1 373 691	1 090 860
Contributions to provision	1 635 622	1 373 691
Expenditure incurred	(1 373 691)	(1 090 860)
	<b>1 635 622</b>	<b>1 373 691</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 21. Provision

##### Reconciliation of provision - 2020

	Opening Balance	Contribution to provision / Finance cost	Utilised during the year	Reduction due to re- measurement or settlement without cost to entity	Total
Rehabilitation of Landfill sites	73 846 422	31 620 494	(119 088)	(2 617 463)	102 730 365
	<b>73 846 422</b>	<b>31 620 494</b>	<b>(119 088)</b>	<b>(2 617 463)</b>	<b>102 730 365</b>

##### Reconciliation of provision - 2019

	Opening Balance	Contribution to provision / Finance cost	Utilised during the year	Reduction due to re- measurement or settlement without cost to entity	Total
Rehabilitation of Landfill sites	65 653 026	10 616 450	(240 463)	(2 182 592)	73 846 421

Non-current liabilities	100 742 679	71 109 872
Current liabilities	1 987 686	2 736 549
	<b>102 730 365</b>	<b>73 846 421</b>

##### Rehabilitation of Landfill sites

Provision is made in terms of the Municipality's licensing stipulations for the rehabilitation of landfill sites. It includes the closure activities of Buysplaas; D'Almeida; Fremiersheim; Great Brak; Herbertsdale and Louis Fourie landfill sites. The provision has been determined by consulting engineers. The payment dates for the total closure and rehabilitation are uncertain, but are expected to all be finalised by 2029.

Refer to Note 47 for detail regarding the corrections of prior period errors.

The key assumptions used in the valuation are as follows:

Rates used	2020	2019
Discount rate	7,96 %	7,94 %
Inflation rate	5,00 %	5,19 %

The average interest rate earned on Investments were used as a result of the fact that the provision is made good by funds set aside for this purpose.

The inflation rate used is the average of the past 10 years as published on the StatsSA website.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

National Grants	6 696	246 329
Provincial Grants	27 168 481	25 523 216
District Municipality	50 000	-
<b>Other unspent conditional receipts</b>		
Public contributions	261 980	308 353
	<b>27 487 157</b>	<b>26 077 898</b>

##### Movement during the year

Opening balance	26 077 897	26 098 209
Receipts	187 671 236	148 959 373
Conditions met - Transferred to revenue	(186 261 976)	(148 979 684)
	<b>27 487 157</b>	<b>26 077 898</b>

The detailed movement per grant is as follows:

##### National: Equitable Share Grant

##### Operational:

Opening balance	-	-
Receipts	93 352 000	85 858 000
Conditions met - Transferred to revenue	(93 352 000)	(85 858 000)
	<b>-</b>	<b>-</b>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 22. Unspent conditional grants and receipts (continued)

##### National: Finance Management Grant

###### Operational:

Opening balance	-	-
Receipts	1 550 000	1 550 000
Conditions met - Transferred to revenue	(1 550 000)	(1 550 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### National: Municipal Infrastructure Grant

###### Operational:

Opening balance	-	-
Receipts	24 105 000	23 688 000
Conditions met - Transferred to revenue	(24 098 304)	(23 688 000)
	6 696	-

The Municipal Infrastructure Grant is given to municipalities to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### National: Integrated National Electrification Programme Grant

###### Capital:

Opening balance	-	-
Receipts	7 000 000	6 000 000
Conditions met - Transferred to revenue	(7 000 000)	(6 000 000)
	-	-

The Integrated National Electrification Programme Grant is given to municipalities to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new, and normalisation), and the installation of relevant bulk infrastructure.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### National: Expanded Public Works Programme Incentive Grant

###### Operational:

Opening balance	-	211 816
Receipts	2 798 000	1 134 481
Conditions met - Transferred to revenue	(2 798 000)	(1 346 297)
	-	-



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 22. Unspent conditional grants and receipts (continued)

##### Capital:

Receipts	-	990 703
Conditions met - Transferred to revenue	-	(990 703)
	-	-

The Expanded Public Works Programme Grant is incentive funding given to municipalities to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### National: Water Services Infrastructure Grant

##### Capital:

Opening balance	246 329	-
Receipts	(246 329)	4 000 000
Conditions met - Transferred to revenue	-	(3 753 671)
	-	246 329

The Water Services Infrastructure Grant is provided to facilitate the planning and implementation of water projects to enhance the sustainability of services especially in rural municipalities.

The projects funded from this grant was completed during the previous year and the conditions met. The remaining balance of R 246 329 have thus been paid back to National Treasury during the current year under review.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### National: Municipal Disaster Relief Grant

##### Operational:

Receipts	268 000	-
Conditions met - Transferred to revenue	(268 000)	-
	-	-

The Municipal Disaster Relief Grant is provided for response and intervention measures for COVID-19 pandemic. The grant funding is meant to augment the resources of the municipality with regard to Sanitation and Decontamination of specific municipal spaces, Personal Protective Equipment and Hygiene packs.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 22. Unspent conditional grants and receipts (continued)

##### Provincial: Integrated Housing & Human Settlement and Development Grant

###### Operational:

Opening balance	7 556 818	9 376 867
Receipts	22 289 562	8 488 801
Conditions met - Transferred to revenue	(19 570 397)	(10 308 850)

###### Capital:

Opening balance	16 649 384	21 455 113
Receipts	14 147 902	717 847
Conditions met - Transferred to revenue	(17 760 684)	(5 523 576)
	<b>23 312 585</b>	<b>24 206 202</b>

This grant is given to municipalities to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide top structures and basic social and economic amenities that contributes to the establishment of sustainable human settlements.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

Refer to Note 47 for detail regarding the correction of prior period errors and to Note 48 for full explanation of the Change in Accounting Policies on the Human Settlement Development Grant.

##### Provincial: Community Development Workers Grant

###### Capital:

Receipts	112 000	-
Conditions met - Transferred to revenue	(12 492)	-
	<b>99 508</b>	<b>-</b>

This grant is given to support municipalities to provide financial assistance to municipalities to cover the operational and capital expenses i.r.o. the functions of the community development workers including the supervisors and regional organisers.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Financial Management Capacity Building Grant

###### Operational:

Opening balance	132 500	-
Receipts	380 000	360 000
Conditions met - Transferred to revenue	(132 500)	(227 500)
	<b>380 000</b>	<b>132 500</b>

The Financial Management Capacity Building Grant is given to municipalities to develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 22. Unspent conditional grants and receipts (continued)

##### Provincial: Library Services Conditional Grants

###### Operational:

Receipts	8 862 000	8 363 469
Conditions met - Transferred to revenue	(8 862 000)	(8 363 469)

###### Capital:

Receipts	650 000	-
Conditions met - Transferred to revenue	(43 100)	-
	<b>606 900</b>	<b>-</b>

This grant is given to municipalities to transform urban and rural public library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Finance Management Support Grant

###### Operational:

Opening balance	606 962	-
Receipts	280 000	1 280 000
Conditions met - Transferred to revenue	(886 962)	(673 038)
	<b>-</b>	<b>606 962</b>

This grant is given to municipalities to provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Local Government Graduate Internship Grant

###### Operational:

Opening balance	56 101	47 260
Receipts	-	72 000
Conditions met - Transferred to revenue	(53 504)	(63 159)
	<b>2 597</b>	<b>56 101</b>

To provide financial assistance to municipalities in support of capacity building for the future by means of graduate internship programmes.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Financial assistance to Municipality for Maintenance & Construction of Transport Infrastructure Grant

###### Operational:

Receipts	55 000	-
Conditions met - Transferred to revenue	(55 000)	-

###### Capital:

Opening balance	153 410	-
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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 22. Unspent conditional grants and receipts (continued)

Receipts	3 121 444	782 700
Conditions met - Transferred to revenue	(3 177 903)	(629 289)
	<b>96 951</b>	<b>153 411</b>

This grant is given to financially assist / subsidise municipalities with the maintenance / construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

#### Provincial: Fire Services Grant

##### Operational:

##### Capital:

Opening balance	-	54
Receipts	1 000 000	(54)
Conditions met - Transferred to revenue	(1 000 000)	-
	<b>-</b>	<b>-</b>

This grant is given to support municipalities to establish and maintain functional and compliant Fire Services that is able to be measured against national benchmarks and standards.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

#### Provincial: Development of Sport & Recreation Facilities Grant

##### Capital:

Opening balance	-	5 150
Receipts	400 000	(5 150)
Conditions met - Transferred to revenue	(400 000)	-
	<b>-</b>	<b>-</b>

This grant is given to municipalities for the provision of sport and recreation facilities in especially previous disadvantaged communities.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

#### Provincial: Municipal Service Delivery & Capacity Building Grant

##### Operational:

Opening balance	200 000	-
Receipts	(180 000)	200 000

##### Capital:

Receipts	180 000	-
Conditions met - Transferred to revenue	(177 360)	-
	<b>22 640</b>	<b>200 000</b>

The Municipal Service Delivery and Capacity Building Grant is given to municipalities to provide financial assistance to municipalities to improve infrastructure, systems, structures, corporate governance and service delivery.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 22. Unspent conditional grants and receipts (continued)

##### Provincial: Shared Economic Infrastructure Facility Grant

###### Capital:

Opening balance	-	838 609
Receipts	-	1 610 299
Conditions met - Transferred to revenue	-	(2 448 908)
	-	-

This grant is to support businesses with an intention to improve access, create local economic benefits and optimise the performance of businesses operating in those facilities.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: RSEP / VPUU Grant

Opening balance	-	-
Receipts	-	-
Conditions met - Transferred to revenue	-	-
	-	-
<b>Capital:</b>		
Opening balance	-	825 198
Receipts	2 755 000	2 000 000
Conditions met - Transferred to revenue	(2 755 000)	(2 825 198)
	-	-

This grant is to implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socio-economic and urban upgrading programmes.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: DEDAT

###### Capital:

Receipts	-	1 000 000
Conditions met - Transferred to revenue	-	(1 000 000)
	-	-

These funds were received from the Department of Economic Development and Tourism to develop market stalls in Kwanonqaba and DÁlmeida that will accommodate identified SMMEs for trading purposes.

##### Provincial: Municipal Accreditation & Capacity Building Grant

###### Operational:

Opening balance	168 040	-
Receipts	238 000	224 000
Conditions met - Transferred to revenue	(227 554)	(55 960)
	<b>178 486</b>	<b>168 040</b>

This grant is to contribute to capacity building efforts by funding the monthly salaries of Capacity Building Clerks who are responsible for educating housing scheme beneficiaries and promoting different housing subsidy schemes that are available to communities.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 22. Unspent conditional grants and receipts (continued)

Refer to Note 47 for a prior period correction made to this grant.

##### Provincial: Thusong Service Centre

###### Operational:

Receipts	106 000	-
Conditions met - Transferred to revenue	(22 040)	-
	<b>83 960</b>	<b>-</b>

This grant is a contribution towards the maintenance expenses of the Mossel Bay Thusong Service Centre.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Greenest Town Competition

###### Operational:

Receipts	30 000	-
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###### Capital:

Receipts	70 000	-
Conditions met - Transferred to revenue	(23 449)	-
	<b>76 551</b>	<b>-</b>

Mossel Bay Municipality were awarded as top achievers in the Provincial Greenest Municipality Competition (GMC) 2019. These funds are used in line with the GMC objectives.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Municipal Drought Relief Grant

###### Capital:

Receipts	3 400 000	-
Conditions met - Transferred to revenue	(1 091 697)	-
	<b>2 308 303</b>	<b>-</b>

The Municipal Drought Relief Grant was received for the Drilling, testing, equipping and connection of boreholes in Herbertsdale and Buisplaas.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Local Government Support Humanitarian Relief Grant

###### Operational:

Receipts	650 000	-
Conditions met - Transferred to revenue	(650 000)	-
	<b>-</b>	<b>-</b>

This grant was received from Provincial Government and is aimed at augmenting and supporting the municipality's humanitarian initiatives for relief to households economically affected directly as a result of COVID-19. These funds were fully utilised for food relief to these households.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 22. Unspent conditional grants and receipts (continued)

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### District: Community Safety

##### Capital:

Opening balance	-	-
Receipts	50 000	-
Conditions met - Transferred to revenue	-	-
	<b>50 000</b>	<b>-</b>

An amount of R50 000 were transferred to Mossel Bay Municipality from the Garden Route District Municipality to be used for safety initiatives in Mossel Bay.

##### Public Contributions and Other Receipts

##### Operational:

Opening balance	236 537	196 551
Receipts	247 657	644 277
Conditions met - Transferred to revenue	(294 030)	(604 291)

##### Capital:

Opening balance	71 816	71 816
	<b>261 980</b>	<b>308 353</b>

Mossel Bay Municipality received various public contributions. The current year contributions include funds received for the Mayoral Cup, Relief Charitable Fund and for food parcels to households directly effected by COVID-19 to the amount of R97 440.

Refer to Note 47 for detail regarding the reclassifications.

#### 23. Consumer deposits

Electricity	17 217 067	15 306 686
Water	12 785 439	11 979 869
	<b>30 002 506</b>	<b>27 286 555</b>

No Guarantees are held in lieu of electricity and water. No interest accrues on consumer deposits.

#### 24. Payables from exchange transactions

Trade payables	112 486 482	101 281 849
Payments received in advanced	29 491 540	31 302 707
Accrued expenditure	245 162	67 715
Retentions	17 891 133	10 762 668
Other payables	1 734 669	3 419 997
Other deposits	5 054 239	4 567 218
	<b>166 903 225</b>	<b>151 402 154</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 24. Payables from exchange transactions (continued)

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30-day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice / statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Refer to Note 47 for detail regarding the reclassifications and correction of prior period errors.

#### 25. Non-current deposits

##### Santos Pavillion Repair Fund

Balance at beginning of year	299 151	286 755
Interest on investment	10 618	12 396
	<b>309 769</b>	<b>299 151</b>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 93-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100 000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

#### 26. Self-insurance reserve

Balance at the beginning of the year	64 285 928	-
Contribution to / (from) Self-insurance reserve	35 792 257	64 285 928
Funding Capital replacements	(432 313)	-
	<b>99 645 872</b>	<b>64 285 928</b>

The Self-insurance Reserve is fully funded and invested in financial instruments.

#### 27. Capital replacement reserve

Balance at the beginning of the year	145 942 083	138 849 300
Contributions from Operating account and other contributions	96 303 959	77 978 064
External Services contribution	7 068 553	7 003 888
Land Sales contribution	6 026 652	4 520 319
Funding Capital Projects	(127 668 231)	(82 409 488)
	<b>127 673 016</b>	<b>145 942 083</b>

The Capital Replacement Reserve is fully funded and invested in financial instruments.

#### 28. Service charges

Sale of electricity	451 308 320	414 809 232
Sale of water	120 830 692	109 236 912
Refuse removal	69 067 465	53 357 568
Sewerage and sanitation charges	73 222 824	61 730 199
	<b>714 429 301</b>	<b>639 133 911</b>

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs. These service charges revenue are the net amounts after taking into account revenue foregone.

Refer to Note 62 for full detail on relief provided by the Municipal Council to its customers during the National State of Disaster relating to the COVID-19 pandemic.



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 29. Rent of facilities and equipment

Premises	6 007 930	4 976 896
Facilities and equipment	541 963	677 990
	<b>6 549 893</b>	<b>5 654 886</b>

Included in above Rental revenue - Premises is the rent received for renting out of the Point Caravan Park from 1 July 2019.

Refer to Note 62 for full detail on relief provided by the Municipal Council to its customers during the National State of Disaster relating to the COVID-19 pandemic.

#### 30. Interest received - external investments

<b>Interest revenue</b>		
Current bank account	2 422 176	2 207 072
Long-term investments	5 764 644	4 471 302
Short-term investments	36 331 267	36 021 664
	<b>44 518 087</b>	<b>42 700 038</b>

#### 31. Other income

Administrative Handling Fees	955 941	2 215 361
Building Plan Approval Fees	7 926 639	8 196 447
Camping Fees	-	4 182 323
Cemetery and Burial Fees	371 587	367 546
Collection Charges	1 764 094	3 358 196
Development Charges	7 068 553	7 003 888
Fire Services	363 772	1 026 212
Insurance Refunds	1 594 700	2 002 733
Land Usage Fees	1 542 899	1 587 712
Other	2 425 296	2 361 787
Sale of Property	872 114	710 794
Sale of Redundant Inventory	396 737	518 109
	<b>25 282 332</b>	<b>33 531 108</b>

Camping fees: From 1 July 2019 Mossel Bay Municipality has been renting out the Point Caravan Park and therefore do not reflect any camping fees income for the year under review.

Refer to Note 47 for detail regarding the reclassifications and correction of prior period errors.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 32. Property rates

##### Rates received

Agricultural	2 895 660	2 535 197
Assessment Rate: Letting	1 298	1 298
Business and commercial	24 416 435	20 844 572
Industrial properties	5 896 991	5 128 866
Public benefit organisations	234 595	193 242
Public service infrastructure properties	17 339	24 205
Residential properties	110 466 085	92 336 251
Residential properties - vacant land	9 061 189	7 862 525
Special rated area - CID	528 968	615 064
State-owned properties	514 204	426 281
Less: Income forgone	(7 743 083)	(6 826 727)
	<b>146 289 681</b>	<b>123 140 774</b>

##### Valuations

Agricultural / Farming	3 404 514 540	3 430 148 250
Business and commercial	3 400 050 125	3 367 825 125
Industrial properties	861 126 000	861 126 000
Municipal properties	731 141 900	736 412 900
National monuments	37 228 000	37 228 000
Public benefit organisations	278 853 000	264 512 000
Place of worship - Church	188 412 000	187 356 000
Place of worship - Parsonage	97 219 000	98 237 000
Protected areas	12 337 000	12 337 000
Public service infrastructure	51 859 000	48 490 000
State-owned properties	592 101 000	587 495 000
Residential properties	32 831 929 434	31 862 751 434
Vacant - Business	170 186 000	172 021 000
Vacant - Residential	2 071 004 093	2 250 376 093
	<b>44 727 961 092</b>	<b>43 916 315 802</b>

The valuation of properties takes place every five years in terms of the Municipal Property Rates Act, No.6 of 2004. The basic rate for land and buildings ranged between R0,000856 and R0,008218 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property rates depending on their monthly income. The first R15 000 valuation on all residential properties are impermissible. A rebate is allowed on the valuation of residential properties up to a R50 000 valuation. With regard to indigent households, where the joint income of the household amount to less than four times or two times the monthly government old aged pension, a rebate is allowed on the valuation up to R81 000 of the property's valuation.

The disclosure of Property Rates categories has been amended in line with the categories as stipulated in the Municipal Property Rates Act, 6 of 2004 as well as the Property Rates Policy of Mossel Bay Municipality.

Refer to Note 62 for full detail on relief provided by the Municipal Council to its customers during the National State of Disaster relating to the COVID-19 pandemic.

Refer to Note 47 for detail regarding the reclassifications.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 33. Government grants & subsidies recognised

##### Operating grants

National Government: Equitable share	93 351 999	85 858 001
National Government: Financial Management Grant	1 550 000	1 550 000
National Government: Expanded Public Works Programme Integrated Grant	2 798 000	1 346 297
National Government: Municipal Disaster Relief Grant	268 000	-
Provincial Government: Human Settlement Development Grant	19 570 397	10 308 849
Provincial Government: Library Service Conditional Grant	8 862 001	8 363 468
Provincial Government: Subsidy Newsletters	9 653	34 359
Provincial Government: Capacity Building	132 500	227 500
Provincial Government: Kannaland Secondment Subsidy	566 623	393 520
Provincial Government: Community Development Workers Grant	12 492	-
Provincial Government: Financial Management Support Grant	886 962	673 038
Provincial Government: Local Government Graduate Internship Grant	53 504	63 159
Provincial Government: Financial assistance to Municipality for Maintenance & Construction of Transport Infrastructure Grant	55 000	-
Provincial Government: Municipal Accreditation and Capacity Building Grant	227 554	55 960
Provincial Government: Thusong Service Centre Grant	22 040	-
Provincial Government: Humanitarian Relief Grant	650 000	-
National Departmental Agencies - Education, Training and Development Practices SETA Grant	243 675	398 944
	<b>129 260 400</b>	<b>109 273 095</b>

##### Capital grants

National Government: Municipal Infrastructure Grant	24 098 305	23 688 000
National Government: Integrated National Electrification Programme	7 000 000	6 000 000
National Government: Water Services Infrastructure Grant	-	3 753 671
National Government: Shared Economic Infrastructure Facility Grant	-	2 448 908
National Government: Expanded Public Works Programme Integrated Grant	-	990 703
Provincial Government: Human Settlement Development Grant	14 900 219	5 523 576
Provincial Government: RSEP / VPUU	2 755 000	2 825 198
Provincial Government: DEDAT	-	1 000 000
Provincial Government: Library Services Grant	43 100	-
Provincial Government: Fire Services Grant	1 000 000	-
Provincial Government: Development of Sport and Recreation Facilities Grant	400 000	-
Provincial Government: Financial assistance to Municipality for Maintenance & Construction of Transport Infrastructure Grant	3 177 903	629 289
Provincial Government: Municipal Drought Relief Grant	1 091 697	-
Provincial Government: Municipal Service Delivery and Capacity Building Grant	177 360	-
Provincial Government: Greenest Municipality Competition	23 449	-
Provincial Government: Contribution toward the acceleration of housing delivery	2 860 465	-
	<b>57 527 498</b>	<b>46 859 345</b>
<b>Total Operating and Capital grants</b>	<b>186 787 898</b>	<b>156 132 440</b>

Library Grant: The reason for the difference between the revenue recognised as per the Government grants and Subsidies received Note, and the conditions met as per the Unspent Grants Note, is due to the recognition of a subsidy received for Newspapers at libraries from the Provincial Department.

Refer to Note 47 for detail regarding the correction of prior period errors and to Note 48 for full explanation of the Change in Accounting Policies on the Human Settlement Development Grant.

Refer to Note 47 for more detail on the prior period correction on the Municipal Accreditation and Capacity Building Grant.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 33. Government grants & subsidies recognised (continued)

##### Government Grants and Subsidies spent per vote

Municipal Manager	25 358 465	8 135 159
Corporate Services	942 797	7 702 541
Financial Services	2 436 962	2 223 038
Technical Services	83 603 529	84 469 341
Community Services	36 276 552	31 170 884
Development & Planning	66 189 812	32 735 089
Governance Services	2 915 236	-
	<b>217 723 353</b>	<b>166 436 052</b>

Included in the above are Construction contract costs as these are all Housing Topstructure projects for which the Municipality received a Grant from Provincial Government. Refer to note 4 for total amount included.

#### 34. Public contributions and donations

Donated assets	3 825 427	19 327 936
Public corporations	1 313 789	1 202 679
	<b>5 139 216</b>	<b>20 530 615</b>

Donated Assets:

In the 2019/20 year the municipality recognised a donated asset for the New Traffic circle c/o Melkhout & Seder Street at Curro School to the amount of R2 458 854, which makes up the major part of the amount recognised for the year.

In the 2018/19 year the municipality recognised a donated asset for Roads : Upgrading of DR1578 Friemersheim to the amount of R16 570 761 and for the Extension of the Golf Club to the amount of R2 700 000, which makes up the major part of the amount recognised for the year.

Refer to Note 47 for detail regarding the reclassifications.

#### 35. Fines, Penalties and Forfeits

Traffic fines	13 742 998	13 898 612
Tender withdrawal penalties	-	1 355 939
Illegal connection fines	333 048	105 665
Forfeits	2 756 169	958 498
Other fines, penalties and forfeits	244 314	387 564
	<b>17 076 529</b>	<b>16 706 278</b>

Other fines, penalties and forfeits includes Pound fees and Library penalties.

Refer to Note 47 for detail regarding the reclassifications and correction of prior period errors.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 36. Employee related costs

Basic salaries and wages	181 968 975	164 738 790
Annual bonuses	15 817 586	15 580 029
Social contributions - Medical aid	14 903 859	13 746 631
Social contributions - Pension fund	31 554 854	28 534 377
Social contributions - UIF	1 463 000	1 379 272
Other social contributions - Industrial council and Group life insurance	4 655 076	4 196 325
Allowances - Acting	1 299 140	1 121 025
Allowances - Housing benefits	1 616 221	1 612 144
Allowances - Overtime payments	12 374 319	12 047 931
Allowances - Standby	4 624 610	3 838 320
Allowances - Travel or motor vehicle usage	5 942 855	5 398 507
Allowances - Uniform/Special/Protective Clothing	1 015 501	1 430 891
Allowances - Other	3 047 138	2 353 240
Post-retirement benefit contributions - Healthcare	15 369 000	10 674 017
Post-retirement benefit contributions - Long service awards	2 831 434	2 659 000
Post-retirement benefit contributions - Pension	26 960	120 000
Post-retirement benefits - Actuarial losses / (gains) on Employee Benefit Provision	(18 582 251)	22 857 432
Contribution to leave gratuity provision	5 474 414	934 049
Less: Employee costs capitalised to PPE	(897 236)	(1 744 270)
<b>Total employee related costs excluding key management positions</b>	<b>284 505 455</b>	<b>291 477 710</b>

COVID related expenditure to the amount of R439 163 is included under the total for Allowances - Overtime payments, R347 187 is included under the total for Allowances - Standby and R96 221 is included under Allowances - Uniform/Special/Protective clothing.

Refer to Note 47 for detail regarding the correction of prior period errors.

The remuneration of key management positions consists of the following:

#### Municipal Manager

Annual remuneration	1 200 766	1 009 465
Performance bonuses	215 432	183 828
Contributions to UIF, Medical and Pension Funds	217 922	183 488
Car allowance	120 000	120 000
Cellular or Telephone allowance	30 600	18 000
Industrial council	112	105
	<b>1 784 832</b>	<b>1 514 886</b>

#### Chief Finance Officer

Annual remuneration	1 231 941	828 658
Performance bonuses	-	109 912
Contributions to UIF, Medical and Pension Funds	1 636	1 785
Car allowance	72 113	102 000
Cellular or Telephone allowance	26 405	-
Industrial council	103	105
	<b>1 332 198</b>	<b>1 042 460</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 36. Employee related costs (continued)

##### Remuneration of individual executive director positions:

##### Director Planning and Development

Annual Remuneration	1 125 783	1 072 164
Performance Bonuses	124 600	119 075
Contributions to UIF, Medical and Pension Funds	261 908	248 744
Car Allowance	108 000	108 000
Cellular or Telephone allowance	30 600	18 000
Industrial council	112	105
	<b>1 651 003</b>	<b>1 566 088</b>

##### Executive Official Strategic Services

Annual Remuneration	736 230	702 253
Performance Bonuses	136 171	121 266
Contributions to UIF, Medical and Pension Funds	134 306	128 190
Car Allowance	102 000	102 000
Cellular or Telephone allowance	30 600	-
Industrial council	112	105
	<b>1 139 419</b>	<b>1 053 814</b>

##### Director Corporate Services

Annual Remuneration	1 212 565	1 130 910
Performance Bonuses	126 283	118 575
Contributions to UIF, Medical and Pension Funds	177 992	167 128
Car Allowance	120 000	120 000
Cellular or Telephone allowance	30 600	-
Group insurance	5 328	5 328
Industrial council	112	105
	<b>1 672 880</b>	<b>1 542 046</b>

##### Director Technical Services

Annual Remuneration	1 463 086	1 367 060
Performance Bonuses	153 061	143 719
Contributions to UIF, Medical and Pension Funds	265 784	249 672
Car Allowance	102 000	102 000
Cellular or Telephone allowance	30 600	-
Group insurance	6 480	6 480
Industrial council	112	105
	<b>2 021 123</b>	<b>1 869 036</b>

##### Director Community Services

Annual Remuneration	1 077 274	969 806
Performance Bonuses	118 907	115 669
Contributions to UIF, Medical and Pension Funds	230 073	208 109
Car Allowance	120 000	120 000
Cellular or Telephone allowance	29 638	-
Industrial council	112	105
	<b>1 576 004</b>	<b>1 413 689</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 36. Employee related costs (continued)

##### Total employee related costs

Employee costs - municipal staff	284 505 455	291 477 708
Employee costs - senior managers & municipal manager	11 177 461	10 002 018
	<b>295 682 916</b>	<b>301 479 726</b>

#### 37. Remuneration of councillors

Executive Major	901 659	868 549
Deputy Executive Mayor	729 488	703 000
Mayoral Committee Members	3 427 445	3 308 065
Speaker	729 488	703 000
Councillors	5 702 583	5 520 693
Councillors' Pension Contributions	304 268	280 999
Councillors' Medical Aid Contributions	103 680	99 033
	<b>11 898 611</b>	<b>11 483 339</b>

##### In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor have access to council-owned vehicles for ceremonial and official functions.

Full-time Councillors are equipped with computers. Ward Committee members are equipped with cell phones for communication purposes.

#### 38. Depreciation, amortisation and asset impairment

##### Depreciation

Property, plant and equipment	88 460 629	78 194 234
Investment property	1 670 731	1 231 445

##### Amortisation

Intangible assets	420 078	126 583
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##### Asset impairment

Impairments	1 765 543	406 319
Reversal of impairments	(318 326)	(476 377)
	<b>91 998 655</b>	<b>79 482 204</b>

The depreciation charge for the year i.r.o. the Water Treatment Plants is reallocated to water inventory consumed.

Refer to note 12 for reconciliation of all Depreciation for the year.

Refer to Note 47 for detail regarding the correction of prior period errors.

#### 39. Debt impairment

Debt impairment	12 502 299	4 834 579
Reversal of debt impairment	(11 819 322)	(9 179 408)
Total (Reversal of impairment loss) / Impairment loss on receivables	682 977	(4 344 829)
Bad debts written off	27 684 530	18 244 993
	<b>29 050 484</b>	<b>9 555 335</b>

Traffic fines written off is included in the total for Bad debts written off and amounted to R22 599 722 for 2019/2020 year (R16 786 070 for 2018/2019 year).

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 40. Finance costs

Other financial liabilities	4 907 474	3 368 301
Finance leases	143	838
Landfill Sites (Provisions)	1 807 443	1 942 939
Current deposits / Grants	10 618	12 396
	<b>6 725 678</b>	<b>5 324 474</b>

Refer to Note 47 for detail regarding the correction of prior period errors.

#### 41. Bulk purchases

Electricity - Eskom	332 910 114	292 284 876
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Bulk purchases are the cost of commodities not generated by the Municipality, but which the Municipality distributes to consumers. The Municipality purchases electricity in bulk from Eskom and then redistributes it to consumers.

#### 42. Contracted services

##### Consultants and Professional Services

Business and Advisory	1 497 814	1 873 358
Infrastructure and Planning	5 135 791	4 972 958
Legal cost	2 837 654	3 391 290
Other	61 587	74 073

##### Contractors

Building	50 434 322	20 441 481
Chipping	2 597 243	896 128
Inspection fees	1 248 852	363 296
Maintenance of buildings and facilities	4 077 577	6 167 634
Maintenance of equipment	1 737 153	2 410 415
Maintenance of unspecified assets	33 994 778	33 086 675
Prepaid electricity vendors	-	3 246 485
Safeguard and security	5 236 327	5 246 952
Sewerage services	1 343 569	2 182 336
Tracing agents and debt collectors	4 690 207	4 442 803
Other	919 063	2 015 288

##### Outsourced Services

Administrative and Support staff	2 193 227	2 575 154
Alien vegetation control	1 460 383	2 348 254
Business and Advisory	2 525 526	4 114 287
Cleaning services	12 237 427	5 688 608
Clearing and Grass cutting services	10 460 846	14 713 433
Internal auditors	1 743 914	1 535 019
Meter management	2 162 804	2 124 415
Organic and building refuse removal	1 832 924	1 315 608
Refuse removal	8 393 791	6 582 661
Swimming supervision	2 095 465	1 742 495
Other	2 987 222	3 160 180

**163 905 466    136 711 286**

COVID related expenditure to the amount of R312 697 is included under Other Outsourced Services and relates to Hygiene services (Decontamination of Refuse compactors / PPE and Informal Settlements) and Refreshments for Disaster Management personnel.

Contractor - Prepaid electricity vendors: The municipality has awarded a new tender for this service. Part of this tender the Contractor does not charge for Vending Service management fees and only charge Commission and Inspection fees. Therefor the total for 2019/20 for Prepaid electricity vendors is NIL. The Commission charges is disclosed under General expenses: Commission paid and the Inspection fees is part of this note under Contractor: Inspection fees.



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 42. Contracted services (continued)

Refer to Note 47 for detail regarding the correction of prior period errors.

#### 43. Transfers and subsidies paid

Bursary Scheme	132 500	227 500
Sport Council	120 000	-
Other	271 590	577 456
SPCA	1 111 000	1 052 000
Subsidy: Benefit Discount Scheme	188 544	226 443
Tourism	3 749 376	4 001 612
	<b>5 573 010</b>	<b>6 085 011</b>

#### Other Donations:

During 2019/20 Other Donations were made to the amount of R75 000, whereas an amount of R176 510 was donated during 2018/19. Of the R176 510 Other Donations, R15 000 was donated to the Mossel Bay Care Centre, R15 000 Child Welfare SA, R30 000 Heart to Heart Care centre and R15 000 to the Education and Training hub for Autism.

#### 44. Inventory consumed

Consumables	15 897 404	14 605 408
Material and supplies	17 223 629	18 991 190
Land	949 550	788 852
Water	34 683 271	32 250 155
	<b>68 753 854</b>	<b>66 635 605</b>

COVID related expenditure to the amount of R2 156 658 is included under Consumables. This includes the purchase of Sanitiser, Masks, Food parcels, Disinfectant, etc. An amount of R1701 was spent on Covid related expenditure under Water Inventory at the Water Treatment Plants.

Refer to Note 47 for detail regarding the reclassifications and correction of prior period errors.

#### 45. General expenses

Advertising	1 652 453	1 800 295
Auditors remuneration	4 356 359	4 818 279
Bank charges	2 008 747	2 039 218
Communication - Telephone & Postage	2 334 930	2 404 339
Commission paid	6 706 523	6 895 356
Dumping fees	4 352 752	5 227 002
External computer expenses	8 180 648	7 368 892
Insurance	4 598 359	4 488 274
Lease rentals on operating lease	5 008 971	4 307 059
Municipal expenses	2 387 055	2 177 870
Other expenses	4 436 787	4 747 848
Skills Development Fund Levy	2 163 519	2 372 010
Subscriptions and membership fees	3 323 236	3 068 159
Workmen's Compensation Fund	1 535 722	1 363 062
	<b>53 046 061</b>	<b>53 077 663</b>

COVID related expenditure to the amount of R60 235 is included under External Computer Services and relates to expenditure to get remote access to servers and network from home. An amount of R11 383 was spent on Courier services and this relates to the transport of mattresses and other equipment.

Refer to Note 47 for detail regarding the reclassifications and correction of prior period errors.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

#### 46. Cash generated from operations

Surplus	111 564 910	88 548 425
<b>Adjustments for:</b>		
Depreciation and amortisation	90 551 439	79 563 575
Depreciation and amortisation - Water Treatment Plants	1 754 366	1 827 979
Gain and Loss on sale of assets and liabilities	16 988 550	3 000 154
Investment Income - external investments	(5 764 643)	(4 471 301)
Finance costs	6 725 678	5 324 474
Impairment of Assets / Reversal of impairment	1 447 217	(70 058)
Debt impairment / Reversal of impairment	682 977	(4 344 829)
Bad debts written off	27 684 530	18 244 993
Movements in operating lease assets and accruals	59 716	29 151
Movements in retirement benefit assets and liabilities / Provisions	42 455 679	14 468 436
Unamortised Discount	-	(325 969)
Donated Assets	(3 825 428)	(19 327 935)
Sale of Redundant Inventory	(396 737)	(518 109)
Actuarial Loss / (Gain)	(18 582 251)	22 857 432
Asset transfers made and received	(309 229)	5
<b>Changes in working capital:</b>		
Inventories	(7 183 175)	(4 100 401)
Receivables from exchange transactions	(42 281 205)	(18 334 625)
Other receivables from non-exchange transactions	(13 148 253)	(10 744 801)
Payables from exchange transactions	15 501 072	40 826 779
VAT	757 076	1 183 591
Unspent conditional grants and receipts	28 774 784	(13 694 375)
	<b>253 457 073</b>	<b>199 942 591</b>

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**  
**Notes to the Annual Financial Statements**

Figures in Rand

2020

2019

**47. Prior period errors and reclassifications**

**STATEMENT OF FINANCIAL POSITION**

**ASSETS**

**Current Assets**

	2019 previously reported	Reclassifi- cations	Prior period errors / Change in Accounting policy	2019 restated
Inventories	42 522 823	(25 027 641)	99 741	17 594 923
Unpaid construction contract advances	-	13 958 534	(10 959 168)	2 999 366
Current portion of long-term receivables	466 594	(9 553)	-	457 041
Operating lease asset	176 552	(176 552)	-	-
Receivables from exchange transactions	87 293 411	(5 168 061)	(20 577)	82 104 773
Receivables from non-exchange transactions	21 377 038	5 168 217	155 604	26 700 859
VAT receivable	9 712 876	-	-	9 712 876
Short term investments	457 966 447	-	-	457 966 447
Cash and cash equivalents	6 120 647	-	-	6 120 647
	<b>625 636 388</b>	<b>(11 255 056)</b>	<b>(10 724 400)</b>	<b>603 656 932</b>

**Non-current Assets**

Property, plant and equipment	2 107 894 168	-	(67 402 353)	2 040 491 815
Investment property	593 269 616	-	34 943 203	628 212 819
Intangible assets	467 376	-	-	467 376
Heritage assets	4 225 599	-	-	4 225 599
Long term receivables	486 156	9 553	-	495 709
Operating lease asset	-	176 552	-	176 552
Investments	48 000 000	-	-	48 000 000
	<b>2 754 342 915</b>	<b>186 105</b>	<b>(32 459 150)</b>	<b>2 722 069 870</b>

**TOTAL ASSETS**

**3 379 979 303 (11 068 951) (43 183 550) 3 325 726 802**

**LIABILITIES**

**Current Liabilities**

Current portion of Other financial liabilities	3 487 949	-	-	3 487 949
Current portion of Finance lease obligations	5 933	-	(1 736)	4 197
Current Employee benefit obligations	30 586 617	-	832 971	31 419 588
Current Provisions	2 736 550	-	-	2 736 550
Operating lease liability	1 853 952	(1 853 952)	-	-
Unspent conditional grants and receipts	23 134 492	(11 069 107)	14 012 512	26 077 897
Consumer deposits	27 286 555	-	-	27 286 555
Payables from exchange transactions	153 137 677	156	(1 735 679)	151 402 154
	<b>242 229 725</b>	<b>(12 922 903)</b>	<b>13 108 068</b>	<b>242 414 890</b>

**Non-current Liabilities**

Other financial liabilities	27 342 832	-	-	27 342 832
Employee benefits	128 596 182	-	9 274 326	137 870 508
Provisions	84 550 833	-	(13 440 961)	71 109 872
Operating lease liability	-	1 853 952	-	1 853 952
Non-current deposits	299 151	-	-	299 151
	<b>240 788 998</b>	<b>1 853 952</b>	<b>(4 166 635)</b>	<b>238 476 315</b>

**TOTAL LIABILITIES**

**483 018 723 (11 068 951) 8 941 433 480 891 205**

**TOTAL NET ASSETS**

**2 896 960 580 - (52 124 983) 2 844 835 597**

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**  
**Notes to the Annual Financial Statements**

Figures in Rand	2020	2019
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**47. Prior period errors and reclassifications (continued)**

**NET ASSETS**

Self-insurance reserve	64 285 928	-	-	64 285 928
Capital replacement reserve	145 942 083	-	-	145 942 083
Accumulated surplus	2 686 732 588	-	(52 124 995)	2 634 607 593
<b>2 896 960 599</b>	<b>-</b>	<b>(52 124 995)</b>	<b>2 844 835 604</b>	

**STATEMENT OF FINANCIAL PERFORMANCE**

	2019 previously reported	Reclassifi- cations	Prior period errors	2019 restated
<b>Revenue from exchange transactions</b>				
Service charges	639 133 910	-	-	639 133 910
Construction contracts	-	-	10 303 612	10 303 612
Rental of facilities and equipment	5 654 886	-	-	5 654 886
Agency services - Provincial Traffic	6 781 280	-	-	6 781 280
Interest received - outstanding debtors	1 784 300	-	-	1 784 300
Interest received - external investments	42 700 038	-	-	42 700 038
Gain on disposal of assets	1 222 412	(1 222 412)	-	-
Other income	34 147 049	(617 692)	1 750	33 531 107
<b>Revenue from non-exchange transactions</b>				
Taxation revenue				
Property rates	122 525 709	615 065	-	123 140 774
Interest earned - outstanding property rates	-	281 454	-	281 454
Licences and permits	1 332 246	-	-	1 332 246
Transfer revenue				
Government grants and subsidies	161 870 111	-	(5 737 670)	156 132 441
Public contributions and donations	20 527 989	2 628	-	20 530 617
Fines, Penalties and Forfeits	16 034 397	(281 454)	953 333	16 706 276
<b>TOTAL REVENUE</b>	<b>1 053 714 327</b>	<b>(1 222 411)</b>	<b>5 521 025</b>	<b>1 058 012 941</b>

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**  
**Notes to the Annual Financial Statements**

Figures in Rand	2020	2019
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**47. Prior period errors and reclassifications (continued)**

	2019 previously reported	Reclassifi- cations	Prior period errors / Change in accounting policy	2019 restated
<b>EXPENDITURE</b>				
Employee related cost	299 014 416	-	2 465 310	301 479 726
Remuneration of councillors	11 483 339	-	-	11 483 339
Depreciation, amortisation and asset impairment	76 295 141	(70 058)	3 257 136	79 482 219
Impairment loss / Reversal of impairments	(70 058)	70 058	-	-
Debt Impairment / Bad debts written off	13 900 164	4 344 829	-	18 244 993
Finance cost	6 785 045	-	(1 460 569)	5 324 476
Bulk purchases	292 284 876	-	-	292 284 876
Contracted services	115 412 738	-	21 298 543	136 711 281
Transfers and subsidies paid	6 085 011	-	-	6 085 011
Inventories losses / write-downs	4 204 529	(4 204 529)	-	-
Inventory consumed	90 668 403	(57 216)	(23 975 586)	66 635 601
General Expenses	53 517 114	57 216	(496 667)	53 077 663
<b>TOTAL EXPENDITURE</b>	<b>969 580 718</b>	<b>140 300</b>	<b>1 088 167</b>	<b>970 809 185</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>84 133 609</b>	<b>(1 362 711)</b>	<b>4 432 858</b>	<b>87 203 756</b>
Gain / (loss) on disposal of assets and liabilities	-	1 222 412	225 160	1 447 572
Inventories losses / write-downs	-	(4 204 529)	(243 198)	(4 447 727)
Reversal of impairment loss / (Impairment loss) on receivables	-	4 344 829	-	4 344 829
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>84 133 609</b>	<b>-</b>	<b>4 414 820</b>	<b>88 548 429</b>
<b>CASH FLOW STATEMENT</b>				
	2019 previously reported	Reclassifi- cations	Prior period errors / Change in accounting policy	2019 restated
Net cash from operating activities	198 104 335	-	1 838 256	199 942 591
Net cash from investing activities	(201 719 853)	-	(1 838 258)	(203 558 111)
Net cash from financing activities	(4 613 361)	-	2	(4 613 359)
Total cash movement for the year	(8 228 879)	-	-	(8 228 879)
Cash and cash equivalents at the beginning of the year	14 349 526	-	-	14 349 526
	<b>6 120 647</b>	<b>-</b>	<b>-</b>	<b>6 120 647</b>

The reclassifications and correction of the error(s) are as follows:

**47.1 Reclassifications**

Reclassification in line with GRAP 109 implementation: Where the municipality is the principal, GRAP 11 is applied, this thus required a reclassification of the housing top structures balance previously disclosed as part of inventory to the unspent conditional grants and receipts liability and (unspent) / unpaid contract advances respectively.

The reclassifications between the current and non-current portions of the respective assets and liabilities as well as the reclassifications in line with the mSCOA item segments are reclassification to align the disclosure in the annual financial statements to the mSCOA strings submitted to National Treasury.

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**47. Prior period errors and reclassifications (continued)**

Reclassification of all gains and losses were done to shift from revenue and expenditure to below the line entries.  
 These totals are shown separate from revenue or expenditure but still have an influence on the surplus for the year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 47. Prior period errors and reclassifications (continued)

<b>Affected line items</b>	2019
<b>GRAP 109 implementation:</b>	
Unspent / unpaid contract advances	13 958 534
Unspent conditional grants and receipts	11 069 107
Inventory	(25 027 641)
<b>Reclassification between Current and Non-current portions:</b>	
Non-current long-term receivables	9 553
Current portion of long-term receivables	(9 553)
Non-current portion of operating lease assets	176 552
Current portion of operating lease assets	(176 552)
Current portion of operating lease liability	1 853 952
Non-current operating lease liability	(1 853 952)
<b>Reclassification in line with mSCOA Item segment:</b>	
Receivables from non-exchange transactions	5 168 217
Receivables from exchange transactions	(5 168 061)
Payables from exchange transactions	(156)
Fines, penalties & Forfeits revenue	281 454
Interest earned - outstanding property rates	(281 454)
Other income	615 064
Property rates	(615 064)
Other income	2 628
Public contributions and donations	(2 628)
Depreciation, amortisation and asset impairment	70 058
Impairment loss / Reversal of impairments	(70 058)
Inventory consumed	57 216
General expenses	(57 216)
<b>Reclassification of gains and losses as below the line items:</b>	
Debt impairment / bad debts written off	4 344 829
Reversal of impairment loss/ (Impairment loss) on receivables (below the line)	(4 344 829)
Gain on disposal of assets and liabilities	1 222 412
Gain / (loss) on disposal of assets and liabilities (below the line)	(1 222 412)
Inventories losses / write downs	(4 204 529)
Inventories losses / write downs (below the line)	4 204 529
	-

#### 47.2 Correction of Error 1 - Landfill restoration cost

Changed accounting entries to be in line with the stipulations of GRAP 19, 17 and IGRAP 2 as well as the guideline on accounting for landfill sites. The accounting entries of this correction were as follow:

<b>Affected line items</b>	2019
Property, plant and equipment	1 272 409
Provisions	13 440 961
Accumulated surplus - 2018 and prior	(12 952 189)
Finance costs	(1 460 572)
General expenses	(300 609)
	-

# Mossel Bay Municipality

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#### 47. Prior period errors and reclassifications (continued)

##### 47.3 Correction of Error 2 - Reclassification of Capital assets

Capital assets classification were changed after revisiting the classification of the whole population in response to the auditor general finding. The accounting entries of this correction were as follow:

Affected line items	2019
Property, plant and equipment	(29 178 468)
Investment Property	32 822 115
Accumulated surplus - 2018 and prior	(3 579 964)
Depreciation, amortisation and asset impairment	(63 683)
	-

##### 47.4 Correction of Error 3 - Reactivation of Disposed assets

Assets previously on various dates disposed, reactivated as it was found as part of the asset count conducted in 2020. The accounting entries of this correction were as follow:

Affected line items	2019
Property, plant and equipment	207 832
Accumulated surplus - 2018 and prior	(5 345)
Other income - Sale of redundant inventory	(1 751)
Depreciation, amortisation and asset impairment	24 425
(Gain) / loss on disposal of assets and liabilities	(225 161)
	-

##### 47.5 Correction of Error 4 - Unbundling of Capital Assets

Unbundling of Assets previously carried as under construction whilst the project completion date refers back to prior periods. The accounting entries of this correction were as follow:

Affected line items	2019
Property, plant and equipment	52 318
Accumulated surplus - 2018 and prior	11 034
Depreciation, amortisation and asset impairment	23 108
Inventory consumed	(86 460)
	-

##### 47.6 Correction of Error 5 - Independent Entrepreneurs Association expenditure

Contract with Independent Entrepreneurs Association to Manage the Goods Shed which the Municipality leases from Transnet has previously also been disclosed as Lease rentals on operating lease expenditure under General expenses. This expenditure is now shifted to Contracted Services: Administrative and Support Staff. The accounting entries of this correction were as follow:

Affected line items	2019
Contracted services	194 537
General expenses - Lease rentals on operating lease	(194 537)
	-



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**47. Prior period errors and reclassifications (continued)**

**47.7 Correction of Error 6 - MACB Grant incorrectly receipted on Title Deeds Topstructure grant**

An Amount of R224 000 was received on 29 April 2019 and was incorrectly receipted to the unspent grant account for Title Deeds Topstructures grant. This amount was received for the Municipal Accreditation and Capacity Building Grant. The receipt is shifted to the correct Unspent grant account and the expenditure occurred in 2018/19 year is recognised as revenue to an amount of R55 960.26. The accounting entries of this correction were as follow:

<b>Affected line items</b>	2019
Unspent conditional grants and receipts	55 960
Government grants and subsidies revenue	(55 960)
	<u>-</u>

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#### 47. Prior period errors and reclassifications (continued)

##### 47.8 Correction of Error 7 - Depreciation charges

Depreciation on donated assets that did not calculated depreciation in the previous years as well as the correcting of the prior year depreciation. The accounting entries of this correction were as follow:

Affected line items	2019
Property, plant and equipment	(1 334 252)
Accumulated surplus - 2018 and prior	4 855
Depreciation, amortisation and asset impairment	1 329 397
	-

##### 47.9 Correction of Error 8 - Net Realisable value: Land held for sale

Pass of net realisable value on land held for sale for the 2018/19 year of middle-income housing scheme group. The accounting entries of this correction were as follow:

Affected line items	2019
Inventory	(243 198)
Inventories losses / write-downs	243 198
	-

##### 47.10 Correction of Error 9 - Provincial Traffic Fines

Recognition of the Provincial traffic fines transactions as on the TCS system as well as the recognition of Non-Admission of Guilt Revenue collected by the Department of Justice and paid over to Mossel Bay Municipality. The accounting entries of this correction were as follow:

Affected line items	2019
Receivables from non-exchange transactions	(9 146)
Payables from exchange transactions	1 764 671
Accumulated surplus - 2018 and prior	(918 290)
Fines, penalties and forfeits revenue	(837 235)
	-

##### 47.11 Correction of Error 10 - Municipal Traffic Fines

Recognition of Municipal traffic fines transactions as on the Collaborator system. The accounting entries of this correction were as follow:

Affected line items	2019
Receivables from non-exchange transactions	164 750
Payables from exchange transactions	(29 000)
Accumulated surplus - 2018 and prior	(19 650)
Fines, penalties and forfeits revenue	(116 100)
	-

# Mossel Bay Municipality

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#### 47. Prior period errors and reclassifications (continued)

##### 47.12 Correction of Error 11 - Employee benefits: Post-employment medical aid correction

Post-employment subsidies are subject to a maximum of R4 773.12 per member per month, except for a certain sub-group of continuation members that either retired before the maximum subsidy came into effect or who formed part of the arrangement long ago when the Municipality merged. Previously the maximum subsidy was applied to all members when calculating the Post-employment liability. This has been corrected in the current year valuation.

Affected line items	2019
Current employee benefit obligation	(605 027)
Non-current employee benefit obligation	(9 274 326)
Accumulated surplus - 2018 and prior	7 642 000
Employee related cost	2 237 353
	-

##### 47.13 Correction of Error 12 - Unbundling of Assets

Under construction capital assets were unbundled with a completion date prior to 1 July 2019.

Affected line items	2019
Property, plant and equipment	(474 713)
Investment property	146 087
Accumulated surplus - 2018 and prior	6 407
Depreciation, amortisation and asset impairment	322 219
	-

##### 47.14 Correction of Error 13 - Expenditure incorrectly classified

Expenditure previously incorrectly classified as capital assets, whilst it was operational in nature.

Affected line items	2019
Property, plant and equipment	(1 002 229)
Contracted services	1 002 229
	-

##### 47.15 Correction of Error 14 - Staff leave accrual

With the 2018/19 calculation of staff leave accrued as at 30 June 2019, there was contracted staff for Libraries and other that was excluded from the accrual. The accrual is adjusted with the total leave for these specific employees as at that date.

Affected line items	2019
Current employee benefit obligation	(227 944)
Employee related cost	227 944
	-

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 47. Prior period errors and reclassifications (continued)

##### 47.16 Correction of Error 15 - Housing / Inventory

With the implementation of GRAP 109 Agent / Principal arrangements, all Housing Topstructure contracts were reviewed and indicated whether it is a Construction contract in terms of GRAP 11 or an Agent function that the Municipality performs. All Housing inventory entries are hereby reversed:

Affected line items	2019
Unpaid construction contract advances	(10 959 167)
Unspent conditional grants and receipts liability	(14 068 474)
Accumulated surplus - 2018 and prior	31 966 625
Government grants and subsidies revenue	5 793 630
Construction contracts revenue	(10 303 612)
Contracted services	20 155 345
Inventory consumed	(22 584 347)
	-

##### 47.17 Correction of Error 16 - First time recognition of Erven

First time recognition of Erven 554 and 264 as Municipal controlled erven.

Affected line items	2019
Investment property	1 975 000
Accumulated surplus - 2018 and prior	(1 975 000)
	-

##### 47.18 Correction of Error 17 - Unbundling water, electricity and sewerage connections

Unbundling and reconciliation of Water, Electricity and Sewerage connections with the revenue records regarding meters and connections

Affected line items	2019
Property, plant and equipment	(36 777 714)
Accumulated surplus - 2018 and prior	36 145 493
Depreciation, amortisation and asset impairment	1 959 586
Contracted services	(53 563)
Inventory consumed	(1 273 802)
	-

##### 47.19 Correction of Error 18 - Reallocation initial cost of Head Office

Reallocation of cost to Head office (Municipal Building) incorrectly allocated to the Taxi Rank.

Affected line items	2019
Property, plant and equipment: Community assets	(11 632 291)
Property, plant and equipment: Other assets	11 632 291
Depreciation, amortisation and asset impairment: Community assets	280 083
Depreciation, amortisation and asset impairment: Other assets	(280 083)
	-

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 47. Prior period errors and reclassifications (continued)

##### 47.20 Correction of Error 19 - Reclassification of capital assets

Capital assets classification were changed after revisiting the classification of the whole population in response to the auditor general finding.

Affected line items	2019
Property, plant and equipment	352 465
Accumulated surplus - 2018 and prior	(14 550)
Depreciation, amortisation and asset impairment	(337 915)
	<u>-</u>

##### 47.21 Correction of Error 20 - Service plan cost

Service plan cost was not recognised as an expense in line with the timeline of the service plan for CBS35957 and CBS41643.

Affected line items	2019
Receivables from exchange transactions	(20 576)
Accumulated surplus - 2018 and prior	20 576
	<u>-</u>

##### 47.22 Correction of Error 21 - Finance leases

Payment of finance lease was incorrectly calculated originally, does not correspond to the payments raised by the contractor.

Affected line items	2019
Current Finance leases	(1 736)
Accumulated surplus - 2018 and prior	1 736
	<u>-</u>

##### 47.23 Correction of Error 22 - Erf incorrectly added

Site 3070 was incorrectly recognized with the initial take-on of vesting properties.

Affected line items	2019
Property, plant and equipment	(520 000)
Accumulated surplus 2018 and prior	520 000
	<u>-</u>

##### 47.24 Correction of Error 23 - Recognise Road signs as Inventory

During the Internal audit, road sign items were reported that did not form part of the formal inventory accounting. These purchases were direct expensed. The direct expenses were investigated and reverse together with all issues and the count were accounted for as inventory.

Affected line items	2019
Inventory	342 939
Accumulated surplus 2018 and prior	(310 441)
Inventory consumed	(30 974)
General expenses	(1 524)
	<u>-</u>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 48. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year, except for the following new / revised standards and guidelines:

- GRAP 20 : Related Party Disclosures
- GRAP 108: Statutory Receivables
- GRAP 109: Accounting by Principals and Agents
- Guideline: Accounting for Arrangements undertaken in terms of the National Housing Programme

##### GRAP 20: Related Party Disclosures

During the year, the municipality changed its accounting policy with respect to the treatment of Related Parties in order to adhere to GRAP 20. The note disclosures on Related Parties has been adjusted in line with these prescripts.

##### GRAP 108: Statutory Receivables

During the year, the municipality changed its accounting policy with respect to the treatment of Statutory Receivables. In order to conform with the benchmark treatment in GRAP108. Additional disclosures are done in line with the prescripts of this standard. Refer to Note 8 for disclosures on Statutory receivables. There is a change on the rate used to determine the future cash flows to a risk-free rate, which for Mossel Bay Municipality is the average short-term investment rate for the year as all investment payouts (capital and interest) are guaranteed.

##### GRAP 109: Accounting by Principals and Agents

During the year, the municipality adopted its accounting policy with respect to the considerations whether a relationship would result in a Principal or Agent arrangement in order to conform to the benchmark treatment of GRAP 109. The municipality now discloses all transactions for which it regards itself as a Principal or an Agent in Note 63.

##### Housing guideline

During the year, the municipality adopted its accounting policy with respect to the treatment of Construction Contracts. In order to conform to the benchmark treatment in GRAP 11: Construction Contracts, IGRAP 18: Recognition and Derecognition of Land, GRAP 109: Accounting by Principals and Agents as well as the Guideline: Accounting for Arrangements Undertaken in terms of the National Housing Programme. The adoption of GRAP 11 is considered to be a prior period error and disclosed in Note 47.

#### 49. Change in accounting estimates

##### Change in Useful lives

The Municipality has reassessed the useful lives of Property, plant and equipment, Investment Property and Intangible assets and residual values of Property, plant and equipment which resulted in changes in depreciation and amortisation charges. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets:

Movement in depreciation and amortisation	2020	2021	2022	2023
Before change in estimate	7 045 892	3 799 303	3 216 571	462 394
After change in estimate	4 365 506	4 565 734	4 081 414	527 227
<b>Net effect (Decrease) / Increased charges</b>	<b>(2 680 386)</b>	<b>766 431</b>	<b>864 843</b>	<b>64 833</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 50. Comparison with budget

Reconciliation of budget surplus / (deficit) with the surplus / (deficit) in the Statement of Financial Performance:	2020 R
Net surplus / (deficit) per the statement of financial performance	111 564 910
Net surplus / (deficit) as per approved budget	53 893 506
<b>Variance to be explained (refer to Statement of Comparison of Budget and Actual amounts for detail)</b>	<b>(57 671 404)</b>

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2019 to 30 June 2020. The budget information is therefore on a comparable basis to the actual amounts.

Expenditure per VOTE: OPERATIONAL	Budget:	Actuals:	Variance:
Vote 1 - Municipal Manager and Executive Council	32 040 328	30 427 759	1 612 569
Vote 2 - Corporate Services	70 108 544	52 003 310	18 105 234
Vote 3 - Financial Services	59 650 386	54 199 815	5 450 571
Vote 4 - Technical and Infrastructure Services	648 901 009	609 840 998	39 060 011
Vote 5 - Community Services	238 126 565	220 475 947	17 650 618
Vote 6 - Planning and Economic Development	149 072 018	100 553 344	48 518 674
Vote 7 - Governance Services	10 183 536	8 975 119	1 208 417
	<b>1 208 082 386</b>	<b>1 076 476 292</b>	<b>131 606 094</b>

#### Detail of Material Variances:

Municipal Manager & Executive Council: The underspending was mainly due to savings on Audit fees.  
Corporate Services: The underspending was mainly due to an R17.3m actuarial gain recognised for the year. Further detail on this gain is disclosed in Note 20. There was also an over expenditure on the Contribution to Leave Provision of R5m.

Financial Services: The underspending was mainly due to savings on contracted services for debt collection and savings on Operational costs, specifically on Computer services and outsources services.

Technical & Infrastructure Services: The underspending was mainly due to underspending on Depreciation of R10.8m, underspending on Employee related costs of R8.3m and savings on Contracted services of R5.6m. Contracted services could not be provided in the last 3 months of the year due to the COVID-19 pandemic.

Community Services: The underspending is mainly due to underspending on Employee related costs of R4.3m and savings on Contracted services of R10.1m. Contracted services could not be provided in the last 3 months of the year due to the COVID-19 pandemic.

Planning & Integrated Services: The underspending is due to the underspending on housing topstructure projects. A request for the roll-over of these grant funds was sent to the Provincial Department in order to spend these funds in the new financial year. This roll-over has already been approved.

Expenditure per VOTE: CAPITAL	Budget: R	Actual: R	Variance: R
Vote 1 - Municipal Manager and Executive Council	44 054	42 458	1 596
Vote 2 - Corporate Services	2 288 162	2 283 923	4 239
Vote 3 - Financial Services	1 021 886	881 093	140 793
Vote 4 - Technical and Infrastructure Services	170 821 452	163 765 459	7 055 993
Vote 5 - Community Services	30 212 754	51 590 680	(21 377 926)
Vote 6 - Planning and Economic Development	45 266 612	20 819 989	24 446 623
Vote 7 - Governance Services	2 700 803	2 655 990	44 813
	<b>252 355 723</b>	<b>242 039 592</b>	<b>10 316 131</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 50. Comparison with budget (continued)

##### Detail of Material Variances:

Technical Services: The underspending is mainly due to projects that could not continue during the National Lockdown from end of March until June 2020. The major projects that were effected is the Long street & Station road in Great Brak, New link road from Walvis to Terrence Ndanda street, Upgrade of Water supply pipeline from Little brak to Langeberg and the Drilling, testing and connection of boreholes. These projects will continue in 2020/21 financial year as an application for the roll-over of funds has been approved.

Community Services: The overspending is due to the increased restoration costs of the landfill site.

Planning & Integrated Services: The major underspending is due to the housing projects (Upgrading of Informal settlements, Sonskynvallei Phase 3 - 150 sites, Asizani / Izinyoka services Phase 4.) All these projects are Multi-year projects and spending are in line with progress of projects. These projects will continue in 2020/21 financial year as an application for the roll-over of funds has been approved.

#### 51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised (Refer note 18)	93 368 382	30 830 781
Finance lease obligation (Refer note 19)	-	4 197
Used to finance property, plant and equipment	(93 368 382)	(30 834 978)
	-	-

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See Note 11).

#### 52. Unauthorised expenditure

##### **Reconciliation of unauthorised expenditure**

Opening balance	11 936 516	800 370
Unauthorised expenditure current year	21 377 926	11 936 516
Approved by council or condoned	(11 936 516)	(800 370)
Transfer to receivables for recovery - not condoned	-	-

##### **Unauthorised expenditure awaiting authorisation**

<b>21 377 926</b>	<b>11 936 516</b>
-------------------	-------------------

The overspending of R21 377 926 under the Community Services vote in the 2019/20 year and R1 599 144 in 2018/19 year is due to the recognition of Landfill site asset as per the report by management expert on the Provision for the Rehabilitation of Landfill sites. The increase in the asset is due to the increase in size of the Great Brak Landfill site.

The overspending of R10 337 372 under the Corporate Services vote for the 2018/19 financial year was due to a R22m actuarial loss recognised for the 2018/19 year. Further detail on this Actuarial loss is disclosed in Note 20

Disciplinary steps/criminal proceedings:

2018/19 : Investigated by Disciplinary board Committee and referred to Council for approval. No financial loss due to unauthorised expenditure. The Dicipinary board Committee found that no official acted negligently.

Non-cash	21 377 926	11 936 516
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##### **Non-cash analysed as follows:**

Employee Related Costs (Actuarial Valuations)	-	10 337 372
Capital additions - Landfill site provision asset	21 377 926	1 599 144
	<b>21 377 926</b>	<b>11 936 516</b>



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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<b>53. Irregular expenditure</b>		
<b>Reconciliation of irregular expenditure</b>		
Opening balance	43 381 764	22 445 925
Irregular expenditure current year	43 552 056	18 492 934
Condoned or written off by Council	(27 570 161)	(478 311)
Recovered	-	-
Subsequent found not to be irregular	-	(60 536)
To be recovered - contingent asset	-	-
Adjustment of prior year disclosure	(1 651 444)	2 981 752
<b>Irregular expenditure awaiting condonement</b>	<b>57 712 215</b>	<b>43 381 764</b>

#### 2020

##### Incident

The Auditor-General has raised a transversal audit finding throughout the country on non-compliance with section 32 of the Municipal Supply Chain Regulations. The legal interpretation results in the application of regulation 32 in a procurement process, effectively meaning that the accounting officer of the original contracting organ of state is willing to forfeit a portion of its contract, in terms of contract value and quantity that has not already been utilised, to the accounting officer who is requesting to procure under that contract. Amount R1 062 926

Irregular Expenditure relating to the procurement of polymer manhole covers - PS30-03/19. Amount R169 645

Irregular Expenditure relating to the Cleaning of storm water catch pits and rubble removal - Tender 104-18/19. Amount R670 320

Irregular Expenditure regarding the feasibility of sub-contracting for tenders above the threshold of 30 million - Tender 75-18/19 and Tender 77-18/19. Amount R41 649 166

##### Disciplinary steps/criminal proceedings

Identified during previous years' audit process and was referred to the Disciplinary board Committee for investigation. The Disciplinary board after obtaining a legal opinion resolved that further engagement was needed with Provincial and National Treasury, as the matter revolved mainly around the interpretation of the Legislation.

Investigated by Disciplinary board Committee and referred to Council. Council resolved that the expenditure be regarded as irregular (CG(I)-08/2020)

Investigated by Disciplinary board Committee and referred to Council. Council resolved that the expenditure be regarded as irregular (CG(I)-08/2020)

Was reported to the Accounting Officer and will be taken to the Disciplinary Board for Investigation.

#### 2019

##### Incident

The Auditor-General has raised a transversal audit finding throughout the country on non-compliance with section 32 of the Municipal Supply Chain Regulations. The legal interpretation results in the application of regulation 32 in a procurement process, effectively meaning that the accounting officer of the original contracting organ of state is willing to forfeit a portion of its contract, in terms of contract value and quantity that has not already been utilised, to the accounting officer who is requesting to procure under that contract. Any expenditure which is not incurred on a portion forfeited by the other organ of state meets the definition of irregular expenditure according to the Auditor-General. Irregular expenditure for 2018/19 of R12 736 354 and for prior years to the amount of R1 423 805 has been identified.

##### Disciplinary steps/criminal proceedings

Identified during audit process and was referred to the Disciplinary board Committee for investigation. The Disciplinary board after obtaining a legal opinion resolved that further engagement was needed with Provincial and National Treasury, as the matter revolved mainly around the interpretation of the Legislation.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 53. Irregular expenditure (continued)

Irregular Expenditure to the amount of R610 940 for the 2018/19 was identified after a deviation and extension of the services Neorick Software Solutions that provides software that assists in the maintenance of the Valuation Roll and Property Register.

Irregular Expenditure to the amount of R3 705 255 was identified relating to non-compliance to Regulation 6(5) of 2007 Preferential Procurement Regulations on tender 37-17/18 as identified during 2017-2018 Audit

Irregular Expenditure to the amount of R1 440 385 was identified relating to non-compliance to Regulation 8(2) of the 2017 Preferential Procurement Regulations as identified during 2017-2018 Audit

Investigated by Disciplinary board Committee and referred to Council. Council resolved irregular expenditure amounting to R2 393 185.00 (2018/2019: R 610 940; Prior Years: R 1 782 244,90) be certified as irrecoverable and written off (E199-09/2019)

Investigated by Disciplinary board Committee and referred to Council. Council resolved irregular expenditure be certified as irrecoverable and written off (E199-09/2019)

Investigated by Disciplinary board Committee and referred to Council. Council resolved irregular expenditure be certified as irrecoverable and written off (E199-09/2019)

#### Condoned / Written off: 2020 - Total R27 570 161

An amount of R27 570 161 of irregular expenditure has been condoned/written off with Council resolution E199-09/2019. This includes the Irregular exp for both 17/18 and 18/19 years relating to Regulation 6(5) of 2007 Preferential Procurement Regulations on tender 37-17/18. R7 463 548 for 17/18 and R3 705 255 for 2018/19. An amount of R2 393 185 was condoned/written off for Irregular expenditure of prior years on a deviation and extension of the services Neorick Software Solutions that provides software that assists in the maintenance of the Valuation Roll and Property Register. An amount of R10 902 903 was condoned/written off for Irregular expenditure relating to Regulation 8(2) of the 2017 Preferential Procurement Regulations (Local content) relating to tenders and an amount of R3 105 270 relating to Quotations.

#### Adjustment of prior year disclosure: 2020 - Total R1 651 444

With Council resolution amounts for previous year irregular expenditure was written off relating to B-BEEE, Local content tenders and quotations and Splitting of orders to the total amount of R435 357.

Disclosure of 2017-2018 Local Content included the 2018-2019 (Tenders: 13-17/18 VE Reticulation, 54-17/18 Urwebo & 56-17/18 Urwebo) but was disclosed after Comaf 6. Amount R1 440 385 Overstatement in 2017-2018 on Tender 13-17/18 VE Reticulation for expenditure on 2018-2019, expenditure for 2017-2018 & 2018-2019 was written E199-09/2019. Amount (R224 298).

#### 54. Fruitless and wasteful expenditure

##### Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	223 702
Condoned or written off by Council	-	(23 000)
To be recovered - contingent asset	-	(200 702)
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>-</b>	<b>-</b>

Detail on Fruitless and wasteful expenditure for the 2018/19 financial year is as follows:

- Postal and cheques received but not yet encashed amounting to R23 000 found at the Municipal Court. This amount has been written off as irrecoverable.

**Mossel Bay Municipality**  
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**54. Fruitless and wasteful expenditure (continued)**

- Payment of three multi-purpose trailers ("trailers") amounting to R135 300 (VAT including) two trailers were received. An amount of R20 302 was found to be Fruitless and wasteful expenditure. The recovery of the money from the officials, to be done in terms of the MFMA and circulars issued in terms thereof, is suspended until there is clarity on the recovery of the money from the contractor or not. Should an amount need to be recovered from the officials in terms of the MFMA, such amount will be that which was not recovered from the contractor, considering that legal costs must first be covered.
- Excess payments made for street cleaning services rendered for the period 1 July 2018 – 30 June 2019 to the amount of R180 400. Investigated by Disciplinary board Committee and found to be Fruitless and wasteful Expenditure. (E199-09/2019)

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 55. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)

##### Non-compliance with Municipal Finance Management Act

No material non-compliance to the MFMA to report for the year under review.

##### Contributions to SALGA

Opening balance	-	-
Current year subscription / fee	3 465 639	2 876 094
Amount paid - current year	(3 465 639)	(2 876 094)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>

##### Audit fees

##### External audit fees

Opening balance	-	-
Current year fee	4 356 359	4 818 279
Amount paid - current year	(4 356 359)	(4 818 279)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>

##### Internal audit fees

Current year fee	1 743 914	1 535 019
Amount paid - current year	(1 743 914)	(1 535 019)
	<u>-</u>	<u>-</u>

##### PAYE and UIF

Opening balance	-	-
Current year subscription / fee	42 185 389	37 194 010
Amount paid - current year	(42 185 389)	(37 194 010)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>

##### Pension, Provident and medical aid contributions, Group insurance

Opening balance	-	-
Current year subscription / fee	93 980 742	85 158 755
Amount paid - current year	(93 980 742)	(85 158 755)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>

##### VAT

VAT (payable) / receivable	<u>8 955 800</u>	<u>9 712 876</u>
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All VAT returns have been submitted by the due date throughout the year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 55. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) (continued)

##### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M E Furness	21 734	6 626	28 360
P Lichaba	1 231	-	1 231
	<b>22 965</b>	<b>6 626</b>	<b>29 591</b>
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M E Furness	7 851	6 790	14 641
N V Bobelo	730	-	730
	<b>8 581</b>	<b>6 790</b>	<b>15 371</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2020	Highest outstanding amount	Aging (in days)
M E Furness	6 626	90+ days
30 June 2019	Highest outstanding amount	Aging (in days)
M E Furness	6 790	90+ days

##### Supply chain management regulations

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

##### Types of deviations

Sole Supplier	11 266 123	8 119 237
Emergency	5 991 218	933 985
Acquisition of special works of art or historical objects where specifications are difficult to compile	8 976	3 752
Exceptional case and it is impractical or impossible to follow the official procurement process	18 946 294	31 292 185
Expanded Public Works Programme (EPWP) learnership projects which have been identified and registered as such	2 300	-
	<b>36 214 911</b>	<b>40 349 159</b>

##### Awards to close family members of persons in the service of the state

Particulars of awards of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the services of the state in the previous 12 months:

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<b>55. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)</b> <b>(continued)</b>				
<b>Awarded to:</b>	<b>Connected person</b>	<b>Position held in state</b>	<b>2020</b>	<b>2019</b>
3rd Generation Trading PTY LTD	Renay Pillay	Environmental officer	254 563	98 696
4K Bouers	Heinrich Ohlson	Handyman	-	10 500
A2 Loodgieters	Beatrix Magdalena Janetta Nel	Grade 2 Correctional Officer	197 345	2 692 951
AON South Africa			-	3 051 707
Aurecon South Africa George	Various employees of company		8 701 795	5 790 125
	HC Ahischlager	Special Investigations Unit: Legal representative	-	-
	CJ Barry	Head: Finance City of Cape Town	-	-
	T Botha	Technical manager: Oudtshoorn Municipality	-	-
	KA Bleazard	Chief Architect: WC Dept Transport	-	-
	M Van Rensburg	Executive Transmission dept - Eskom	-	-
	Dr M Skead	Snr Manager Staff development : Nelson Mandela Bay Metropolitan University	-	-
	WZ Erasmus	Program manager - Cape Nature	-	-
	HG Esterhuysen	Snr Manager Roads: West Coast District Municipality	-	-
	S Seegers	Head Security Architecture - City of Cape Town	-	-
	T Govender	Fleet maintenance administrator - Umgeni Water	-	-
	SM Grobbelaar	Town Planner - NC Dept of Cooperative Governance	-	-
	A Heyns	Assistant Sup: Workshop Engineering - Stellenbosch Municipality	-	-
	JH Higgs	SARS Regional Manager	-	-
	A Hougaard	Principle Network controller - Dept of Correctional services	-	-
	J Jacobs	Personal Assistant - EC Dept of Education	-	-
	Cr BJ Kriegler	Councillor: Breede Valley and Cape Winelands District Municipalities	-	-
	R Reddy-Maduray	Project preparation specialist - DBSA	-	-
	D Mayekiso	Assistant Director - Dept of LG and Traditional Affairs	-	-
	AJ Moore	Chief Engineer: Dept of Water Affairs	-	-
	K Nadasen	Director - National Dept of Public Works	-	-
	T Mncube	Manager Supply Chain - ACSA	-	-
	D Ntsebeza	Sanitation Engineering Manager - Buffalo City Metro Municipality	-	-

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<b>55. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)</b> <b>(continued)</b>				
	N Ntsebeza	Admin Clerk - Intsika Yethu Municipality	-	-
	NH Ntsebeza	Nurse - EC Dept of Health	-	-
	M Ntsebeza	Doctor - Springs hospital	-	-
	SM O'Connell	Librarian - Sol Plaatjie Municipality	-	-
	PW Pansegrouw	Snr Manager: Technical services - Drakenstein Municipality	-	-
	PS Pretorius	Chief officer: Community services - Sol Plaatjie Municipality	-	-
	JH Riekert	Manager Operations - SA Reserve Bank	-	-
	JM Robertson	Roads Engineer - Ekurhuleni Metro Municipality	-	-
	R Tebane	Executive Manager - Ekurhuleni Metro Municipality	-	-
	J Tredoux	Deputy Director: Accounts payable - Dept of Water Affairs	-	-
	ZC Venter	Deputy Director: Empolyment relations - EC Dept of Health	-	-
	PC Vermeulen	Sup: Building Maintenance - City of Cape Town	-	-
	J Wilkins	Vice Director Provincial - Correction Services	-	-
Autumn Skies Trading 257 CC t/a PK Builders	LMA Maksella		-	74 210
	A Olkers		-	-
Bardin's Jewellers	Mark Furness	Councillor - Mossel Bay Municipality	-	5 887
Ben-Oni Louis Construction	Pieter Myburgh	Senior Manager: Streets and Storm water - Mossel Bay Municipality	-	6 214
Brenda Duhna Construction	Heinrich Ohlson	Handyman - Mossel Bay Municipality	4 500	42 100
C3 Algemene Sweiswerke	Heinrich Ohlson	Handyman - Mossel Bay Municipality	15 964	-
Drs Dietrich Voigt Mia Partners	Christene Maas-Loftus	Senior Medical officer	70 964	39 718
Electronics Services (Mossel Bay Electronics CC)	Elaine Stipp	Assistant Accountant - Mossel Bay Municipality	10 564	30 079
Emakozeni Trading Enterprises CC	RS Zikode	DDG	161 538	426 909
Trading as Harvey World Travel				
Engineering Advice Services Western Cape (PTY) LTD	Shaun Westerberg	Manager: Building Development - Mossel Bay Municipality	309 423	983 433
	Erlene Westerberg	Personal Assistant: Municipal Manager - Mossel Bay Municipality	-	-
GIBB (PTY) LTD	Dianne Allderman	Teacher - EC Dept of Education	-	111 218
	Rajiv Beharie	Senior Engineer - Eskom	-	-

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**55. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)**  
**(continued)**

Ian Bowker	Head of Dept - Dept of Asset Mngmnt and Maintenance in Transport	-	-
Irma Brink	Teacher - FS Dept of Education	-	-
Sonnika Cilliers	Teacher - Dept of Education	-	-
Liezel Cloete	Lecturer - Dept of Higher education and training	-	-
Dolencia Davids	Admin officer - City of Cate Town	-	-
Hilton Davids	Admin officer - City of Cate Town	-	-
Jacqueline Gooch	Head of Dept - Dept of Transport and Public Works	-	-
Thando Gqobo	Civil Engineering Technician - Ethekeweni Municipality	-	-
MB Haq	Town Planner -City Engineers	-	-
Conrad Hering	Electrical Engineer - Dept of Transport and Public works	-	-
Siyamthanda Jafta	Assistant Mngr - EC Dept of Transport	-	-
Heinrich Jaskolka	Magistrate - Dept of Justice	-	-
Yvette Joubert	Teacher - WC Dept of Education	-	-
Tebho Kabi	Senior Technician - Eskom	-	-
Douglas Kiewiet	Area Mngr - Dept of Water Affairs	-	-
Unathi Lekonyana	Deputy Director - National Treasury	-	-
Gerda Magnus	Acting Deputy Director General - Dept of Higher Education and Training	-	-
Nokuzola Mandla	Control Works inspector - EC Dept of Human Settlements	-	-
Nokuthula Mkhize	Accounting Clerk - National Dept of Water Affairs	-	-
Londani Mkhumbuzi	Senior Clerk - KwaDukuza Municipality	-	-
David Moffett	Director Spatial planning - Dept of Rural Development and land reform	-	-
Alan Moon	Head: Business continuity - City of Cape Town	-	-
K Naidoo	Head of Dept Maths- Dept of Education	-	-
Herbert Netzhikweta	Senior Inspector - Dept of Minerals Resource	-	-
Phumlani Ngcamu	Snr Civils Technician - Ethekeweni Municipality	-	-
Donovan O'Reilly	Warrant officer - SAPS	-	-
Fawizia Peer	Deputy Mayor - Ethekeweni Municipality	-	-
Funanani Phidza	Director ICT - Economic Development	-	-
Rendani Phidza	Snr Control officer - Sports and Recreation	-	-



# Mossel Bay Municipality

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### Notes to the Annual Financial Statements

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<b>55. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)</b> <b>(continued)</b>				
	Thendo Phidza	Jnr Service Engineer - Eskom	-	-
	Vuyokazi Sicwebu	PMU Manager - Ndlambe Municipality	-	-
	Sadra Singh	HR officer - Dept of Education	-	-
	F Strampe	Chief Accounting clerk - SAPS	-	-
Gouws N.E Transport	MH Pongolo	Parks Dept - Supervisor - Mossel Bay Municipality	309 583	546 817
Ikapa Reticulation and Flow CC	Sophia Davids	WCED - Special needs teacher	3 424 833	2 138 027
Kay Beez Development Projects CC	DSA Booysen	Secretary - Dept of Health ODN	-	46 230
Leanco Business Services & Training Centre CC	C Neethling	Councillor - George Municipality	14 700	27 930
LJ Bruwer	LJ Bruwer	Acting CFO - Mossel Bay Municipality	-	475 872
Mark Berry Environmental Consultant CC	Tillette Berry	State advocate NPA	146 500	-
Maverick Trading 1088 CC	Colleen Adams	Snr Admin Clerk - WC Dept of Agriculture	-	36 743
	Farryn Adams	Educator	-	-
Mossel Bay Tourism Bureau	Adv Thys Giliomee	Municipal Manager - Mossel Bay Municipality	2 877 239	3 508 749
	Venolea Fortuin	Councillor - Mossel Bay Municipality	-	-
	Mark Furness	Councillor - Mossel Bay Municipality	-	-
NCC Environmental Services (PTY) LTD	Chandre Rhoda	Invasive species programme manager - City of Cape Town	-	57 391
Poongavanum General Cleaning Services T/A Rig Marketing Prima Part	Renay Pillay	Environmental officer	131 184	-
	Vicky Basson	Manager: Budget and Reporting - Mossel Bay Municipality	21 950	17 509
Red Ant Security Relocation Eviction Services (PTY) LTD	Noxolo Lesiela	Organisational Design and Development Practitioner - Mogale City Local Municipality	1 086 166	-
Signage Guys	Enrico Claassens	SAPS Warrant officer	-	3 736
Siphakame Skills Development	Ntobeko Vacu	Economic growth officer - Drakenstein Municipality	255 080	226 000
Swannie's Auto Clinic	Rudi Swanepoel	Sergeant: Detective Kwa Police	358 743	330 046
	Benita Swanepoel	Sergeant: Uniform Division Police	-	-
Urhwebo-E-Transand	Craig Mostert	Occupational Health and Safety Officer - Mossel Bay Municipality	10 502 644	14 120 866
Volts and Welds	Pieter Myburgh	Senior Manager: Streets and Storm water - Mossel Bay Municipality	171 489	133 644
			<b>29 026 767</b>	<b>35 033 307</b>

The transactions are concluded in full compliance with the Supply Chain Management Policy of the Council and the transactions are considered to be at arms length.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

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#### 55. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) (continued)

No awards made to Councillors, senior managers or employees of Mossel Bay Municipality.

#### Levies paid to other government organisations

Skills Development Fund Levy	2 163 519	2 372 010
Bargaining Council Levy	109 071	100 383
	<b>2 272 590</b>	<b>2 472 393</b>

#### Material losses

##### Electricity distributed losses

Units purchased (kWh)	306 473 226	312 588 265
Units lost during distribution (kWh)	33 919 893	27 772 501
Percentage lost during distribution	11,07 %	8,88 %

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.

##### Water distributed losses

Mega litres purified	7 186	7 643
Mega litres lost during distribution	1 095	873
Percentage lost during distribution	15,24 %	11,42 %

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

#### 56. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Economic Empowerment Act (B-BBEE) is included in the Annual Report under section 5.12 titled Broad-Based Economic Empowerment Act Compliance Performance Information.

**Mossel Bay Municipality**  
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Figures in Rand	2020	2019
<b>57. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already approved and contracted for</b>		
• Infrastructure	139 607 999	137 350 308
• Community	32 305 879	30 064 182
• Other	2 300 528	1 349 471
	<b>174 214 406</b>	<b>168 763 961</b>
<b>Approved but not yet contracted</b>		
• Infrastructure	-	-
• Community	-	-
• Other	-	-
	<b>-</b>	<b>-</b>
<b>Total capital commitments will be financed from</b>		
Borrowing	49 169 820	78 484 900
Capital replacement reserve	84 063 654	40 491 916
Government grants	40 980 932	49 787 145
Public contributions / donations	-	-
	<b>174 214 406</b>	<b>168 763 961</b>
The commitments presented above are inclusive of VAT.		
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	174 214 406	168 763 961

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 58. Related parties

Parties are considered to be related if:

- One party has the ability to control the other party; or
- Exercise significant influence over the other party in making financial and operating decisions.

#### Related party balances

#### Related party transactions

#### Awards to persons in service of State

Mossel Bay Tourism	2 877 238	3 508 749
Bardin's Jewellers	-	5 887

The Municipal Manager and two councillors are board members of the Tourism Council (Adv Thys Gilliomee, Ms Venolea Fortuin and Mr Mark Furness).

Councillor Mark Furness is the owner of Bardin's Jewellers.

#### Year ended 30 June 2020

	Rates and service charges	Outstanding balances
<b>Councillors</b>	<b>483 086</b>	<b>38 641</b>
Baron, Elroy Absolom	11 960	-
Bayman, John Clifford	8 782	-
Bobelo, Nosiphiwo Veronica	8 331	(25)
Boosen, Niklaas Cedric	9 432	-
Bruinders, Jovan Gordan Jahmiel	10 887	899
Buda, Witness Thembeni	1 388	712
De Klerk, Maria Cornelia	12 473	1 005
Dellemijn, Anton	24 074	149
Fipaza, Wineka Primrose	-	-
Fortuin, Venolia	40 620	2 869
Furness, Mark Edgar	85 035	34 582
Gouws J	14 378	(303)
Groenewald, Barend Hendrik Jacobus	13 436	-
Janse van Rensburg, Anna Susanna Maria	27 788	-
Kamfer, Davie	8 613	700
Kannemeyer, Marulyn	8 272	-
Kotzé, Dirk	34 905	-
Levendal, Harry Joseph	10 573	-
Lichaba, Petrus	5 586	-
Mbandezi, Sebenzile Stanford	-	-
Mbolombo, Nobuzwe Julia	3 960	(2 644)
Meyer, Erica	11 363	-
Mvumvu, Thabo President	5 278	-
Rauch, Lorenz	40 955	-
Ruiters, Rosina Henrietta	12 606	507
Siyoko, Julia	8 344	144
Terblanche, Petru	64 124	40
<b>Municipal Manager and Section 57 Personnel</b>	<b>101 318</b>	<b>(4 879)</b>
MG Gilliomee	11 111	(265)
S Naidoo	20 515	(7 899)
E Jantjies	30 141	115
DM Asmal	5 002	(54)
IJ Haarhoff	2 421	3 252
E Nel	14 561	-
CJ Venter	17 566	(28)

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>58. Related parties (continued)</b>		
<b>Year ended 30 June 2019</b>		
<b>Councillors</b>	<b>435 060</b>	<b>40 949</b>
Baron, Elroy Absolom	11 497	848
Bayman, John Clifford	8 282	1 147
Bobelo, Nosiphiwo Veronica	5 095	1 385
Booisen, Niklaas Cedric	11 758	-
Bruinders, Jovan Gordan Jahmiel	9 708	(2 545)
Buda, Witness Thembeni	-	(34)
De Klerk, Maria Cornelia	11 968	948
Dellemijn, Anton	17 875	2 183
Fipaza, Wineka Primrose	-	-
Fortuin, Venolia	25 950	2 580
Furness, Mark Edgar	80 985	26 744
Gouws J	13 775	(4 081)
Groenewald, Barend Hendrik Jacobus	18 943	1 370
Janse van Rensburg, Anna Susanna Maria	23 792	-
Kamfer, Davie	7 969	655
Kannemeyer, Marulyn	7 846	-
Kotzé, Dirk	40 599	(38)
Levendal, Harry Joseph	10 123	-
Lichaba, Petrus	-	35
Mbandezi, Sebenzile Stanford	55	-
Mbolompo, Nobuzwe Julia	1 307	107
Meyer, Erica	9 819	-
Mvumvu, Thabo President	517	22
Rauch, Lorenz	38 485	3 319
Ruiters, Rosina Henrietta	11 942	1 099
Siyoko, Julia	9 651	242
Terblanche, Petru	54 102	4 951
<b>Municipal Manager and Section 57 Personnel</b>	<b>104 725</b>	<b>(3 545)</b>
MG Giliomee	10 315	(10)
S Naidoo	19 306	354
E Jantjies	30 808	(3 006)
DM Asmal	13 666	(3 321)
E Nel	13 642	1 171
CJ Venter	16 984	1 266

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

#### **Related Party Loans**

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

**Mossel Bay Municipality**  
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**58. Related parties (continued)**

**Remuneration of management**

**Councillors/Mayoral committee members**

**2020**

	Basic salary	Bonuses and performance related payments	Travel and Subsistence exp	Termination benefits	Medical Aid Contributions	Pension Fund Contributions	Other benefits received	Total
<b>Name</b>								
Baron, Elroy Absolom	187 042	-	-	-	17 280	-	108 908	313 230
Bayman, John Clifford	410 368	-	2 009	-	-	73 866	202 212	688 455
Bobelo, Nosiphiwo Veronica	173 993	-	-	-	17 280	13 049	108 908	313 230
Booisen, Niklaas Cedric	395 724	-	4 690	-	17 280	71 230	202 212	691 136
Bruinders, Jovan Gordan Jahmiel	262 213	-	-	-	-	-	128 205	390 418
Buda, Witness Thembeni	177 671	-	-	-	-	26 650	108 908	313 229
De Klerk, Maria Cornelia	297 626	-	435	-	-	-	140 009	438 070
Dellemijn, Anton	484 234	-	7 283	-	-	-	203 017	694 534
Fipaza, Wineka Primrose	173 155	-	-	-	-	31 167	108 908	313 230
Fortuin, Venolia	395 724	-	-	-	17 280	71 230	202 212	686 446
Furness, Mark Edgar	390 930	-	-	-	-	-	171 111	562 041
Gouws J	204 322	-	-	-	-	-	108 908	313 230
Groenewald, Barend Hendrik Jacobus	215 015	-	469	-	-	47 198	128 205	390 887
Janse van Rensburg, Anna Susanna Maria	204 322	-	-	-	-	-	108 908	313 230
Kamfer, Davie	204 322	-	-	-	-	-	108 908	313 230
Kannemeyer, Marulyne	158 511	-	-	-	17 280	28 531	108 908	313 230
Kotzé, Dirk	516 516	-	14 820	-	-	-	212 973	744 309
Levendal, Harry Joseph	561 429	-	5 791	-	-	84 214	259 664	911 098
Lichaba, Petrus	190 067	-	-	-	-	14 255	108 908	313 230
Mbandezi, Sebenzile Stanford	173 155	-	-	-	-	31 167	108 908	313 230
Mbolombo, Nobuzwe Julia	177 671	-	-	-	-	26 650	108 908	313 229
Meyer, Erica	158 511	-	435	-	17 280	28 531	108 908	313 665
Mvumvu, Thabo President	204 322	-	-	-	-	-	108 908	313 230
Rauch, Lorenz	204 322	-	-	-	-	-	108 908	313 230

**Mossel Bay Municipality**  
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**58. Related parties (continued)**

Ruiters, Rosina Henrietta	158 511	-	-	-	17 280	28 531	108 908	313 230
Siyoko, Julia	158 511	-	-	-	17 280	28 531	108 908	313 230
Terblanche, Petru	499 237	-	-	-	17 280	-	218 973	735 490
	<b>7 337 424</b>	<b>-</b>	<b>35 932</b>	<b>-</b>	<b>155 520</b>	<b>604 800</b>	<b>3 811 321</b>	<b>11 944 997</b>

**2019**

	Basic salary	Bonuses and performance related payments	Travel and Subsistence exp	Termination benefits	Medical Aid Contribution	Pension Fund Contribution	Other benefits received	Total
<b>Name</b>								
Baron, Elroy Absolom	183 714	-	-	-	12 750	-	106 288	302 752
Bayman, John Clifford	394 585	-	13 316	-	71 025	-	196 003	674 929
Bobelo, Nosiphiwo Veronica	166 683	-	-	-	29 781	-	106 288	302 752
Booisen, Niklaas Cedric	380 173	-	-	-	85 437	-	196 003	661 613
Bruinders, Jovan Gordan Jahmiel	252 128	-	558	-	-	-	124 843	377 529
Buda, Witness Thembeni	170 838	-	-	-	-	25 626	106 288	302 752
De Klerk, Maria Cornelia	465 610	-	1 248	-	-	-	202 560	669 418
Dellemijn, Anton	465 610	-	4 676	-	-	-	196 810	667 096
Fipaza, Wineka Primrose	166 495	-	-	-	29 969	-	106 288	302 752
Fortuin, Venolia	379 941	-	352	-	85 669	-	196 003	661 965
Furness, Mark Edgar	196 464	-	-	-	-	-	106 288	302 752
Gouws J	196 464	-	-	-	-	-	106 288	302 752
Groenewald, Barend Hendrik Jacobus	217 880	-	2 248	-	34 248	-	127 643	382 019
Janse van Rensburg, Anna Susanna Maria	196 464	-	3 894	-	-	-	106 288	306 646
Kamfer, Davie	196 464	-	-	-	-	-	106 288	302 752
Kannemeyer, Marulyn	151 851	-	-	-	44 613	-	106 288	302 752
Kotzé, Dirk	496 650	-	4 022	-	-	-	206 350	707 022
Levendal, Harry Joseph	539 836	-	26 229	-	-	80 976	249 500	896 541
Lichaba, Petrus	182 757	-	-	-	13 707	-	106 288	302 752
Mbandezi, Sebenzile Stanford	166 495	-	-	-	29 969	-	106 288	302 752
Mbolompo, Nobuzwe Julia	170 838	-	-	-	-	25 626	106 288	302 752
Meyer, Erica	151 851	-	2 969	-	44 613	-	106 288	305 721

# Mossel Bay Municipality

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#### 58. Related parties (continued)

Mvumvu, Thabo President	196 464	-	-	-	-	-	106 288	302 752
Rauch, Lorenz	196 464	-	-	-	-	-	106 288	302 752
Ruiters, Rosina Henrietta	151 851	-	5 225	-	44 613	-	106 288	307 977
Siyoko, Julia	151 948	-	2 553	-	44 516	-	106 288	305 305
Terblanche, Petru	479 369	-	-	-	17 280	-	209 150	705 799
	<b>7 065 887</b>	<b>-</b>	<b>67 290</b>	<b>-</b>	<b>588 190</b>	<b>132 228</b>	<b>3 711 761</b>	<b>11 565 356</b>

Other benefits received includes Travel and Cellphone allowances.

#### Executive management

2020

Name	Fees for services as a member of management	Basic salary	Bonuses and performance related payments	Termination benefits	Other long-term benefits	Travel and Subsistence exp	Other benefits received	Total
Giliomee, MG	-	1 200 766	183 828	-	-	67 840	343 071	1 795 505
Puren, C	-	736 230	121 266	-	-	5 756	269 131	1 132 383
Naidoo, S	-	1 463 086	143 719	-	-	4 263	374 376	1 985 444
Jantjies, E	-	1 212 565	79 050	-	-	27 903	313 557	1 633 075
Asmal, DM	-	585 714	109 912	466 274	-	3 006	73 535	1 238 441
Haarhoff, IJ	-	179 953	-	-	-	-	316	180 269
Nel, E	-	1 077 274	115 669	-	-	18 462	352 185	1 563 590
Venter, CJ	-	1 125 783	119 075	-	-	12 033	370 020	1 626 911
	<b>-</b>	<b>7 581 371</b>	<b>872 519</b>	<b>466 274</b>	<b>-</b>	<b>139 263</b>	<b>2 096 191</b>	<b>11 155 618</b>



# Mossel Bay Municipality

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#### 58. Related parties (continued)

2019

Name	Fees for services as a member of management	Basic salary	Bonuses and performance related payments	Termination benefits	Other long-term benefits	Travel and Subsistence exp	Other benefits received	Total
Giliomee, MG	-	1 009 465	174 410	-	-	79 622	310 775	1 574 272
Puren, C	-	702 253	123 868	-	-	1 143	280 315	1 107 579
Naidoo, S	-	1 367 060	134 317	-	-	5 509	379 208	1 886 094
Jantjies, E	-	1 130 910	110 818	-	-	69 975	356 212	1 667 915
Asmal, DM	-	828 658	20 645	-	-	15 542	103 890	968 735
Nel, E	-	969 806	95 428	-	-	10 082	347 938	1 423 254
Venter, CJ	-	1 072 164	113 915	-	-	15 822	356 849	1 558 750
	-	<b>7 080 316</b>	<b>773 401</b>	-	-	<b>197 695</b>	<b>2 135 187</b>	<b>10 186 599</b>

Other benefits received includes Motor Vehicle allowance, Medical Aid contribution, Post Retirement fund contribution, Group insurance, UIF and Industrial council levies.

#### Joint Venture - Jointly controlled asset

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility.

The Municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Title and ownership of the Desalination facility shall vest in the Municipality and PetroSA proportional to their respective funding contributions.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 59. Contingencies

##### Contractual disputes

Below is a list of possible liability claims where the outcome was unknown at 30 June 2020 with the maximum unforeseen liability for the Municipality:

	2020	2019
Allandale and Others v Mossel Bay Municipality: claim for flood damages.	16 516 054	16 516 054
Stonetrad Trust v Mossel Bay Municipality: claim with regard to Mid-Income housing.	64 220 976	64 220 976
Belstow Technologies v Mossel Bay Municipality: claim for the cancellation of the contract for Traffic cameras.	6 679 588	6 679 588
Attpower (Pty) Ltd v Mossel Bay Municipality: claim based on the so-called breach of contract.	83 849 227	83 849 227
Delict JF van Niekerk and Other v Mossel Bay Municipality: letter of demand was received from 53 registered owners in the Municipal Jurisdiction who were affected by the landslip in the Seemeeu Park residential area.	125 000 000	125 000 000
A summons was received for a public liability claim which could not be settled with the insurance brokers. Damages due to injuries is claimed.	1 338 746	1 338 746
Sala Pension fund Claim - outstanding employer contributions	2 955 689	2 955 689
	<b>300 560 280</b>	<b>300 560 280</b>

##### Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases.

Note: Council has received the funds on one of the guarantees, but are awaiting confirmation of cancellation of the guarantee.

	2020	2019
The maximum amount of the guarantees to which council has a right to recovery.	24 285	24 285

##### Contingent liabilities due to COVID claims:

Due to the national lockdown some construction work could not be performed for a certain period. The municipality received claims due to plant standing time, additional security costs and skilled labour costs for this period of which the outcome has not been decided as yet. The estimated cost of these claims are R1 184 281, but the timing and outcome of whether the claim will be paid is not available.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 59. Contingencies (continued)

##### Other contingent liabilities

There is currently six disputes under arbitration and conciliations between the municipality and employees. The outcome, timing and amounts of three of these cases are not available. An amount of R644 087 is estimated for the other three employee claims, but the outcome and timing is not available.

Council approved the transfer of Erf 6271 (a portion of Erf 4940) Hartenbos with an additional 2 meter, resulting in a further 84m<sup>2</sup> of the property to Provincial Department of Transport and Public Works which they will use for the extension of the southern boundary line of the Hartenbos Clinic.

The Provincial Department of Transport and Public Works be responsible for all surveying, subdivision and registration costs.

Council approved the release and alienation of twenty seven erven situated in Tarka as well as 9 erven situated on a portion of Erf 2003, Extension 6, Mossel Bay to the claimant households at fifty percent of the market related purchase price of R3 948 800, since it is not required for basic municipal purposes, in settlement of the Tarka Community Land claim

##### Contingent assets

Payment of three multi-purpose trailers ("trailers") amounting to R135 300 (VAT including) two trailers were received. An amount of R20 302 was found to be Fruitless and wasteful expenditure and should be recovered.

Excess payments made for street cleaning services rendered for the period 1 July 2018 – 30 June 2019 to the amount of R180 400 was found to be Fruitless and wasteful expenditure and should be recovered.

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<b>60. Financial instruments disclosure</b>		
<b>Categories of financial instruments at amortised cost</b>		
<b>FINANCIAL ASSETS</b>		
<b>Investments</b>		
Long-term investments	60 000 000	48 000 000
<b>Short-term investments</b>		
Standard Bank	133 301 199	232 099 635
ABSA Bank	92 915 551	-
Nedbank	213 839 720	225 866 812
<b>Short-term investment deposits</b>		
Short-term investment deposits	50 732 936	5 015 719
<b>Cash and cash equivalents</b>		
Bank balances	43 003 459	1 081 468
Cash on hand	23 460	23 460
<b>Long-term receivables</b>		
Land Sales Debtors	4 801	4 785
Bursary Obligations	252 539	224 747
Housing Selling Schemes	242 691	723 217
<b>Unpaid Construction contract advances</b>		
Unpaid Construction contract advances	-	2 999 365
<b>Receivables from exchange transactions</b>		
Electricity	46 440 716	41 790 060
Water	22 849 102	17 078 505
Sewerage	13 379 540	6 751 120
Refuse	12 108 853	5 541 250
Land sales	643	230
Housing selling schemes	46 733	14 716
Housing rental	12 428	12 613
Other (Merchandising, Jobbing, Contracts and Service charges)	5 654 158	5 705 421
<b>Other receivables from non-exchange transactions</b>		
Government grants and subsidies	128 834	128 834
Other	17 247 968	11 741 215
Recoverable expenditure	75 644	75 644
	<b>712 260 975</b>	<b>604 878 816</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Other financial liabilities</b>		
Long term loan	93 368 382	30 830 781
<b>Lease liability</b>		
Finance lease obligation	-	4 197
<b>Payables from exchange transactions</b>		
Trade payables	112 486 482	101 281 849
Accrued Expenditure	245 162	67 715
Retentions	17 891 133	10 762 668
Other payables	1 734 669	3 419 997
Other deposits	5 054 239	4 567 218

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>60. Financial instruments disclosure (continued)</b>		
<b>Consumer deposits</b>		
Electricity	17 217 067	15 306 686
Water	12 785 439	11 979 869
<b>Non-current deposits</b>		
Santos Pavillion Repair Fund	309 769	299 151
<b>Employee benefit obligations</b>		
Peformance bonus accrual	1 044 535	941 980
Staff leave accrual	18 838 114	14 394 799
Bonus accrual	7 777 806	6 924 683
Employee Overtime / Standby allowance accrual	1 635 622	1 373 691
Long Service awards	18 129 000	17 150 533
<b>Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts	27 225 177	25 769 545
<b>Unspent Construction contract advances</b>		
Unspent Construction contract advances	24 366 159	-
<b>Cash and cash equivalents</b>		
Bank overdraft	-	-
	<b>360 108 755</b>	<b>245 075 362</b>

Comparatives have been restated due to correction of prior period errors. Refer to Note 47.

#### Methods and assumptions are used to determine the fair value / amortised cost of each class of financial instrument

Cash and Cash Equivalents: The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables: The carrying amount of trade and other receivables (net of provision for debt impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables: Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

#### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis point increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 60. Financial instruments disclosure (continued)

Adjustment in interest rates: The effect of a 1% increase / decrease in interest rate would have the following effect:

##### 2020

Net effect of interest-bearing instruments on surplus	Balance	Interest income	Interest expense	Effective interest rate	Effect of a 1% adjustment in interest rate
	-	-	-	- %	-
<b>Financial assets</b>					
Cash and cash equivalents	93 759 855	7 029 125	-	14,08 %	499 403
Receivables from exchange transactions	100 492 174	2 319 995	-	2,62 %	886 930
Receivables from non-exchange transactions	17 452 447	-	-	- %	-
Short-term investments	440 056 469	32 990 794	-	7,35 %	4 490 115
Investments	60 000 000	4 498 167	-	8,33 %	540 000
Long-term receivables	500 031	11 544	-	1,59 %	7 264
	-	-	-	- %	-
<b>Financial liabilities</b>					
Trade and other payables from exchange transactions	112 486 482	-	-	- %	-
Non-current deposits	309 769	-	10 618	3,49 %	(3 045)
Consumer deposits	-	-	-	- %	-
Unspent conditional grants and receipts	27 225 175	-	-	- %	-
Other financial liabilities	93 368 382	-	4 907 473	7,90 %	(620 996)
Finance lease obligation	-	-	143	6,83 %	(21)
Unspent construction advances	24 366 159	-	-	- %	-
Subtotal	970 016 943	46 849 625	4 918 234	52	5 799 650
	<b>970 016 943</b>	<b>46 849 625</b>	<b>4 918 234</b>	<b>52,19 %</b>	<b>5 799 650</b>

##### 2019

Net effect of interest-bearing instruments on surplus	Balance	Interest income	Interest expense	Effective interest rate	Effect of a 1% adjustment in interest rate
	-	-	-	- %	-
<b>Financial assets</b>					
Cash and cash equivalents	6 120 647	510 366	-	4,99 %	102 351
Receivables from exchange transactions	76 893 915	1 527 990	-	2,17 %	704 382
Receivables from non-exchange transactions	11 945 693	-	-	- %	-
Short-term investments	457 966 447	38 187 224	-	8,78 %	4 349 329
Investments	48 000 000	4 002 448	-	9,53 %	420 000
Long-term receivables	952 749	18 932	-	2,12 %	8 924
Unpaid Construction contract advances	2 999 366	-	-	- %	-
	-	-	-	- %	-
<b>Financial liabilities</b>					
Trade and other payables from exchange transactions	101 281 849	-	-	- %	-
Non-current deposits	299 151	-	12 396	4,23 %	(2 930)
Consumer deposits	-	-	-	- %	-
Unspent conditional grants and receipts	25 769 544	-	-	- %	-
Other financial liabilities	30 830 781	-	3 368 300	10,41 %	(323 591)
Finance lease obligation	4 197	-	841	7,88 %	(107)
	<b>763 064 339</b>	<b>44 246 960</b>	<b>3 381 537</b>	<b>50,11 %</b>	<b>5 258 358</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 61. Risk management

##### Financial risk management

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high-quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the Municipality's investment policy. These limits are reviewed annually by the CFO and authorised by Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are put on auxiliary.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market).

Liquidity risk is the risk that the Municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the Municipality are backed by appropriate assets and it has adequate liquid resources. Council has an approved Long-term financial plan which brought policies and procedures in place to monitor the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

##### Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the Municipality are backed by appropriate assets and it has adequate liquid resources. Council has an approved Long-term financial plan which brought policies and procedures in place to monitor the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

##### Exposure to financial risks

Financial assets exposed to credit risk at year end were as follows:

##### Maximum Credit Risk of Financial instrument

Long term receivables	500 031	952 749
Receivables from exchange transactions	100 492 173	76 893 915
Receivables from non-exchange transactions	17 452 446	11 945 693
Investments	60 000 000	48 000 000
Short-term investments	440 056 470	457 966 447
Cash and cash equivalents	93 759 855	6 120 647
<b>Maximum Credit Risk Exposure</b>	<b>712 260 975</b>	<b>601 879 451</b>

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**61. Risk management (continued)**

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

**Interest rate risk**

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes. The possible impact on financial instruments is disclosed in note 60.



# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

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#### 62. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.

##### Effects of COVID-19

##### Relief provided by Council to address the impact of COVID-19:

Due to the impact of COVID-19 on the Municipal customers, Council has approved a financial grace period and rebates for businesses and other affected customers by the COVID-19 virus. These relief measures include:

Council approval - March 2020:

- An amnesty period of 3 months (March 2020 to May 2020) to all Business and Industries: That these customers pay back its arrear accounts in equal instalments over a period of 6 months and that no interest be levied during this amnesty period as well as no interest on any instalment agreement, that no collection mechanisms be applied in this period,
- For residential customers during this 3 month amnesty period the water restrictions will be lifted, no collection mechanisms will apply, all prepaid electricity blocks will be lifted, Deadline for indigent applications were shifted to end of April 2020 and the auxiliary recovery rate by prepaid purchases of 55% will be reduced to 30%,
- Amnesty period of 3 months for paying rent to all lessee's accounts of the Mossel Bay Municipality.

Council approval - May 2020:

- Financial support to all Lessee's of the Municipality, including Local Economic Development projects, e.g. Beehives and Good Shed (includes extension of amnesty period to 15 June 2020, no collection mechanisms during lockdown period or during any level of lockdown restrictions specifically prohibiting debt collection services)
- Business and Industrial Consumers: Amnesty period extended to 15 June 2020, no collection mechanisms during lockdown period or during any level of lockdown restrictions specifically prohibiting debt collection services, a 10% rebate on April, May and June 2020 municipal accounts.
- Residential Customers: Amnesty period extended to 15 June 2020, no collection mechanisms during lockdown period or during any level of lockdown restrictions specifically prohibiting debt collection services, current water restrictions will be lifted, All prepaid and conventional electricity meters 100% blocked will be lifted, deadline for Indigent applications shifted to 30 June 2020 and the auxiliary recovery rate by prepaid purchases of 55% will be reduced to 30% until 30 June 2020.
- That support is provided to households without a municipal water connection in the form of free access to water for domestic purposes during the declared National State of Disaster period relating to the COVID-19 Pandemic.

Council approval - August 2020:

- The Municipality will proceed with Debt collection from 19 August 2020.
- That the auxiliary rate be phased back to the normal 55% as follows: 40% from 14 August 2020, 45% from 15 September 2020, 50% from 15 October 2020, 55% from 13 November 2020.

Council approval - September 2020:

- Non-residential consumers may enter into a special payment arrangement with council, to pay arrears built up during the declared National State of Disaster relating to the COVID-19 Pandemic period back with specific terms.
- That support is provided to households without a municipal water connection in the form of free access to water for domestic purposes during the declared National State of Disaster period relating to the COVID-19 Pandemic (extension for full period of National State of Disaster relating to the COVID-19 pandemic).

#### 63. Accounting by principals and agents

Details of the arrangements are as follows:

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**63. Accounting by principals and agents (continued)**

<b>Municipality as Agent / Principle</b>	<b>Other Party in agreement</b>	<b>Purpose of Arrangement</b>	<b>Description of Arrangement</b>	<b>Significant Terms and Conditions of Arrangement</b>
Agent	Provincial Department of Transport	Motor Vehicle registration	The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and collects a commission of 12% plus VAT.	The municipality collect motor registration fees on behalf of Provincial Administration. Payment is made weekly based on the e-Natis reports Agency fees to the value of 12% plus VAT is withhold from the payment to the Province
Agent	Provincial Department of Transport	Drivers Licence applications	The Municipality undertakes to handle Driver's licence applications on behalf of the Department of Transport.	The value of application fees is determined by the Provincial administration. The Municipality recognise all fees collected as agency fees.
Agent	Provincial Department of Transport	Administration of Drivers licence cards - RTMC (Road Traffic Management Company)	The Municipality undertakes to issue Driver's licence cards on behalf of the Department of Transport.	The municipality collect all application fees on behalf of Provincial Administration and recognise the revenue as agency fees. The cost for the production of a drivers liscence card, for each successful applicant, is paid by the Municipality to the service provider appointed by Provincial Administration based on an invoice of RTMC (Road Traffic Management Company)
Agent	Department of Justice	Admininstration of Court fees	The Municipality undertakes to collect Court Fines on behalf of the Department of Justice and get no commission for this service.	The municipality collect content of court fees on behalf of the Dept of Justice, which is paid over on a monthly basis. The Municipality has no rights to an administration fee on the content of court fees.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand			2020	2019
<b>63. Accounting by principals and agents (continued)</b>				
Agent	Provincial Department of Human Settlements	Administering the Building of Houses	<p>The Human settlements Department has an agreement with the municipality to administer the process for building of houses for third parties in terms of Chapter 3 of the National Housing Code. For the year under review Mossel Bay Municipality was the Agent for the following housing projects: Wolwedans Housing project. In previous financial year the projects for Yak'indlu, Joe Slovo and Utshani 5 houses Kwa was performed as an Agent to the agreement.</p>	<p>A) Mossel Bay Municipality does not have the power to determine the significant terms and conditions of the transactions, Department of Human Settlements is responsible for the construction of houses and is responsible for preparing contracts and project agreements and Appointing contractors for housing development.</p> <p>B) Mossel Bay Municipality, is only the fund administrator, therefore Mossel Bay Municipality does not have the ability to use resources from the transactions substantially for its own benefit.</p> <p>C) Department of Human Settlement is responsible for fulfilling the rights and obligations under the contractual arrangement entered into with contractors and/or other service providers. Thus, Mossel Bay Municipality is not exposed to variability in the result of the transactions.</p>
Principal	Utilities	Prepaid electricity vendor	<p>Mossel Bay Municipality requires a prepayment vending and management system, which includes inspection of pre-paid meters and tamper management. 2019/20 Financial year</p>	<p>The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during the reporting period.</p>
Principal	Easypay	Municipal account payment	<p>That the Municipality's accounts for services owed to it by customers be paid at various Collectors and Easypay will accept payments on the Municipality's behalf and pay over to Municipality at a collection cost.</p>	<p>Funds shall be transferred daily in a consolidated total via ACM transfer to the Municipality's nominated bank account. No changes during the reporting period</p>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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#### 63. Accounting by principals and agents (continued)

Principal	Pay@	Municipal account payment		
			That the Municipality make use of the Pay@ account payment system available in retail and other networks and Pay@ shall provide the required systems to interface with Networks to enable the Data to be presented and payments to be made by the Municipality's customers.	Data of municipal accounts shall be updated regularly. Systems shall be maintained and commission, supply and install systems necessary for provisioning of the Payment solution. No Changes during the reporting period.

#### Municipality as agent

##### Resources held on behalf of the principal(s), but recognised in the municipality's own financial statements

The resources regarding the Licensing Department, Dept of Justice and Department of Human Settlements remain their own and do not form part of the Municipality's financial statements.

##### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R6 151 183 (2019: R6 781 280).

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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#### 63. Accounting by principals and agents (continued)

##### Agent Principal arrangement

Motor Vehicle registration - Dept of Transport	3 578 001	3 938 932
Drivers Licence applications - Dept of Transport	2 573 182	2 842 348
RTMC - Dept of Transport	-	-
Court Fees - Dept of Justice	-	-
Administration of Housing - Dept of Human Settlements	-	-
	<b>6 151 183</b>	<b>6 781 280</b>

##### Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a net effect of R233 300 that is still owed by the Municipality and will be paid over to the Department of Transport / Department of Justice in the new financial year.

Corresponding rights of reimbursement that have been recognised as assets have a net effect of R360 and relates to Motor Vehicle registrations.

##### Category(ies) of revenue received / expenses paid on behalf of the principal, are:

The two categories of revenue received on behalf of the principal is Licensing fees (includes Vehicle licences, Drivers licences and Drivers licence cards) and Court fees.

##### Amount of revenue received /expenses paid on behalf of the principal during the reporting period

##### Agent Principal arrangement

	2020	2019
Motor Vehicle registration - Dept of Transport	29 814 350	32 827 207
Drivers Licence applications - Dept of Transport	614 559	734 700
RTMC - Dept of Transport	3 236 688	3 628 872
Court Fees - Dept of Justice	538 700	741 600
Administration of Housing - Dept of Human Settlements	-	-
	<b>34 204 297</b>	<b>37 932 379</b>

##### Receivables and / or payables recognised based on the rights and obligations established in the binding arrangement(s)

Name of Receivables / Payable recognised	Receivables / Payable	2020	2019
Motor Vehicle registration	Receivable	(360)	(320)
Drivers licence applications	Payable	34 900	23 348
Court fees	Payable	198 400	154 500
		<b>-</b>	<b>232 940</b>
		<b>232 940</b>	<b>177 528</b>

##### Reconciliation of the carrying amount of receivables

##### Motor Vehicle registration

	2020	2019
Opening balance	(320)	(64)
Revenue that principal is entitled to	29 814 350	32 827 208
Amounts transferred to the Principal	(26 236 389)	(28 888 532)
Commission	(3 578 001)	(3 938 932)
	<b>(360)</b>	<b>(320)</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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#### 63. Accounting by principals and agents (continued)

##### Reconciliation of the carrying amount of payables

Payables (Drivers licence applications, RTMC and Court fees)	2020	2019
Opening balance	177 848	167 781
Revenue that principal is entitled to	4 389 947	5 105 172
Amounts transferred to the principal	(4 334 495)	(5 095 105)
	<b>233 300</b>	<b>177 848</b>

##### Municipality as principal

##### Resources (including assets and liabilities) of the municipality under the custodianship of the agent

No assets or liabilities of Mossel Bay Municipality are under the custodianship of Utilities, Ontec, Easypay or Pay@.

##### Fee(s) paid as compensation to the agent

Commission paid	2020	2019
Utilities - Prepaid electricity vendor	5 486 050	-
Ontec - Prepaid electricity vendor	-	5 754 775
Easypay - Municipal account payment	393 169	377 399
Pay@ - Municipal account payment	827 304	763 182
	<b>6 706 523</b>	<b>6 895 356</b>

##### Resource(s) and / or cost implications for the municipality if the principal-agent arrangement is terminated

There are no resource or cost implications for the municipality if the arrangements are terminated.

#### 64. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 2 729 081 620 and that the municipality's total assets exceed its liabilities by R 2 956 400 508.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. In assessment whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding. Further to that the Municipality has put in place cost containment measures to curb unnecessary spending.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Supplementary Information

#### 1. Segmental Statement of Financial Performance: GFS Classification

2020

Segment	Actual income	Actual expenditure	Surplus / (deficit)
<b>Governance and administration</b>			
Executive and Council	37 119 117	(44 849 654)	(7 730 537)
Finance and Administration	207 585 193	(107 306 061)	100 279 132
Internal Audit	-	(6 221 371)	(6 221 371)
<b>Community and public safety</b>			
Community and Social Services	14 538 843	(27 245 904)	(12 707 061)
Sport and Recreation	4 294 020	(40 418 940)	(36 124 920)
Public Safety	15 505 614	(65 017 984)	(49 512 370)
Housing	65 750 112	(56 104 237)	9 645 875
<b>Economic and environmental services</b>			
Planning and Development	11 235 114	(34 675 198)	(23 440 084)
Road Transport	19 523 448	(70 048 000)	(50 524 552)
Environmental Protection	23 449	(5 963 938)	(5 940 489)
<b>Trading services</b>			
Energy Sources	465 975 224	(391 136 057)	74 839 167
Water Management	150 480 538	(80 101 130)	70 379 408
Waste Water Management	107 351 700	(70 015 174)	37 336 526
Waste Management	88 658 830	(72 134 576)	16 524 254
Other	-	(5 238 068)	(5 238 068)
	<b>1 188 041 202</b>	<b>(1 076 476 292)</b>	<b>111 564 910</b>

2019

Segment	Actual Income	Actual expenditure	Surplus / (deficit)
<b>Governance and administration</b>			
Executive and Council	15 881 270	(44 692 464)	(28 811 194)
Finance and Administration	184 844 510	(129 377 110)	55 467 400
Internal Audit	-	(6 486 520)	(6 486 520)
<b>Community and public safety</b>			
Community and Social Services	15 774 686	(23 389 572)	(7 614 886)
Sport and Recreation	7 978 606	(46 418 552)	(38 439 946)
Public Safety	15 361 003	(60 396 279)	(45 035 276)
Housing	27 693 573	(25 797 961)	1 895 612
<b>Economic and environmental services</b>			
Planning and Development	11 885 479	(23 742 367)	(11 856 888)
Road Transport	30 659 446	(65 593 690)	(34 934 244)
Environmental Protection	76 874	(6 862 274)	(6 785 400)
<b>Trading services</b>			
Energy Sources	428 974 044	(347 224 288)	81 749 756
Water Management	146 705 168	(73 003 044)	73 702 124
Waste Water Management	97 837 516	(65 564 242)	32 273 274
Waste Management	77 073 153	(48 482 082)	28 591 071
Other	127 168	(5 293 626)	(5 166 458)
	<b>1 060 872 496</b>	<b>(972 324 071)</b>	<b>88 548 425</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2020

### Supplementary Information

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#### 2. Segmental Statement of Financial Performance: Municipal Department Classification

	Actual Income	Actual Expenditure	Surplus / (deficit)
<b>2020</b>			
Vote 1 - Municipal Manager and Executive Council	36 551 052	(30 427 759)	6 123 293
Vote 2 - Corporate Services	1 504 432	(52 003 310)	(50 498 878)
Vote 3 - Financial Services	197 391 082	(54 199 815)	143 191 267
Vote 4 - Technical / Infrastructure Services	736 099 147	(609 840 998)	126 258 149
Vote 5 - Community Services	130 228 200	(220 475 947)	(90 247 747)
Vote 6 - Planning and Economic Development	82 312 407	(100 553 344)	(18 240 937)
Vote 7 - Governance Services	3 954 881	(8 975 119)	(5 020 238)
	<b>1 188 041 201</b>	<b>(1 076 476 292)</b>	<b>111 564 909</b>
<b>2019</b>			
Vote 1 - Municipal Manager and Executive Council	21 837 620	(49 830 685)	(27 993 065)
Vote 2 - Corporate Services	8 499 465	(85 338 744)	(76 839 279)
Vote 3 - Financial Services	174 090 063	(47 905 414)	126 184 649
Vote 4 - Technical / Infrastructure Services	672 598 067	(476 382 615)	196 215 452
Vote 5 - Community Services	118 062 099	(191 015 828)	(72 953 729)
Vote 6 - Planning and Economic Development	65 785 182	(121 850 785)	(56 065 603)
Vote 7 - Governance Services	-	-	-
	<b>1 060 872 496</b>	<b>(972 324 071)</b>	<b>88 548 425</b>



**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2020**

**APPENDIX A**

SCHEDULE OF EXTERNAL LOANS AS AT 30 June 2020										
External loans	Institution	Loan number	Redeemable	Balance at 30 June 2019	Received during the period	Redeemed / written off during the period	Unamortised discount on loans	Balance at 30 June 2020	Carrying value of PPE	Other costs in accordance with the MFMA
LONG-TERM LOANS										
DBSA loan R30m	Development Bank of South Africa	1/2012/02	30/06/2027	16 000 000		2 000 000		14 000 000	-	-
ABSA loan R4.8m	ABSA Bank	03-8723-1321	01/07/2026	3 777 384		401 977		3 375 407		
ABSA loan R6.5m	ABSA Bank	03-8723-1322	2027/07/01	5 633 138		486 412		5 146 726		
Nedbank loan R5.6m	Nedbank	057831035273/000001	01/07/2028	5 420 259		578 903		4 841 356		
DBSA loan R10m	Development Bank of South Africa	9005026-61007558	30/06/2029	-	10 000 000	995 106		9 004 894		
DBSA loan R35m	Development Bank of South Africa	9005026-61007567	30/06/2029	-	35 000 000			35 000 000		
DBSA loan R12m	Development Bank of South Africa	9005026-61007568	30/06/2029	-	12 000 000			12 000 000		
DBSA loan R7.8m	Development Bank of South Africa	9005026-61007569	30/06/2029	-	7 800 000			7 800 000		
Nedbank loan R2.2m	Nedbank		30/06/2025	-	2 200 000			2 200 000		
Total long-term loans				30 830 780	67 000 000	4 462 398	-	93 368 382	-	-
TOTAL EXTERNAL LOANS				30 830 780	67 000 000	4 462 398	-	93 368 382	-	-

APPENDIX B

APPROPRIATION STATEMENT AS AT 30 June 2020

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2020</b>											
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue</b>											
Property rates	138 873 730	6 895 728	145 769 458	-	-	145 769 458	146 289 680		520 222	100%	105%
Service charges	728 452 596	-1 943 671	726 508 925	-	-	726 508 925	714 429 302		-12 079 623	98%	98%
Rental of facilities and equipment	6 133 126	112 124	6 245 250	-	-	6 245 250	6 549 892		304 642	105%	107%
Interest earned - external investments	39 150 000	3 201 037	42 351 037	-	-	42 351 037	44 518 087		2 167 050	105%	114%
Interest earned - outstanding debtors	2 083 430	891 970	2 975 400	-	-	2 975 400	3 181 746		206 346	107%	153%
Dividends received	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!
Fines, penalties and forfeits	15 361 618	-1 380 171	13 981 447	-	-	13 981 447	17 076 530		3 095 083	122%	111%
Licences and permits	1 201 058	29 612	1 230 670	-	-	1 230 670	1 074 009		-156 661	87%	89%
Agency services	6 300 000	186 142	6 486 142	-	-	6 486 142	6 151 183		-334 959	95%	98%
Transfers recognised - operational	157 468 323	48 594 333	206 062 656	-	-	206 062 656	160 195 856		-45 866 800	78%	102%
Other own revenue	28 370 865	-2 633 623	25 737 242	-	-	25 737 242	25 282 331		-454 911	98%	89%
Gains on disposal of PPE	1 800 891	-1 800 891	-	-	-	-	625 874		625 874	#DIV/0!	35%
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1 125 195 637</b>	<b>52 152 590</b>	<b>1 177 348 227</b>	<b>-</b>	<b>-</b>	<b>1 177 348 227</b>	<b>1 125 374 487</b>		<b>-51 973 740</b>	<b>96%</b>	<b>100%</b>
<b>Expenditure</b>											
Employee related costs	336 506 139	-2 859 779	333 646 360	-	-	333 646 360	295 682 900		-37 963 460	89%	88%
Remuneration of councillors	12 206 787	-321 825	11 884 962	-	-	11 884 962	11 898 611		13 649	100%	97%
Debt impairment	30 815 538	11 075 062	41 890 600	-	-	41 890 600	28 367 506		-13 523 094	68%	92%
Depreciation & asset impairment	96 612 451	-779 568	95 832 883	-	-	95 832 883	91 998 657		-3 834 226	96%	95%
Finance charges	20 192 600	-11 830 089	8 362 511	-	-	8 362 511	6 725 678		-1 636 833	80%	33%
Bulk purchases	330 325 754	-5 125 754	325 200 000	-	-	325 200 000	332 910 114		7 710 114	102%	101%
Other materials	74 742 480	3 380 678	78 123 158	-	-	78 123 158	68 753 855		-9 369 303	88%	92%
Contracted services	180 662 842	47 080 850	227 743 692	-	-	227 743 692	163 905 463		-63 838 229	72%	91%
Transfers and subsidies	6 105 852	202 185	6 308 037	-	-	6 308 037	5 573 010		-735 027	88%	91%
Other expenditure	70 691 724	-5 887 228	64 804 496	-	-	64 804 496	59 126 892		-5 677 604	91%	84%
Loss on disposal of PPE	14 077 151	-	14 077 151	-	-	14 077 151	11 533 588		-2 543 563	82%	82%
<b>Total expenditure</b>	<b>1 172 939 318</b>	<b>34 934 532</b>	<b>1 207 873 850</b>	<b>-</b>	<b>-</b>	<b>1 207 873 850</b>	<b>1 076 476 273</b>	<b>-</b>	<b>-131 397 577</b>	<b>89%</b>	<b>92%</b>
<b>Operating Surplus/(Deficit)</b>	<b>-47 743 681</b>	<b>17 218 058</b>	<b>-30 525 623</b>	<b>-</b>	<b>-</b>	<b>-30 525 623</b>	<b>48 898 214</b>	<b>-</b>	<b>79 423 837</b>	<b>-160%</b>	<b>-102%</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	75 521 000	7 684 977	83 205 977	-	-	83 205 977	57 527 497		-25 678 480	69%	76%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!
Transfers and subsidies - capital (in-kind - all)	1 023 115	190 037	1 213 152	-	-	1 213 152	5 139 218		3 926 066	424%	502%
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>28 800 434</b>	<b>25 093 072</b>	<b>53 893 506</b>	<b>-</b>	<b>-</b>	<b>53 893 506</b>	<b>111 564 929</b>		<b>57 671 423</b>	<b>207%</b>	<b>387%</b>
Taxation	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!
<b>Surplus/(Deficit) for the year</b>	<b>28 800 434</b>	<b>25 093 072</b>	<b>53 893 506</b>	<b>-</b>	<b>-</b>	<b>53 893 506</b>	<b>111 564 929</b>		<b>57 671 423</b>	<b>207%</b>	<b>387%</b>
<b>CAPITAL EXPENDITURE AND FUNDS SOURCES</b>											
Total capital expenditure	309 391 630	-57 035 907	252 355 723	-	-	252 355 723	242 039 591		-	96%	78%
<b>CASH FLOWS</b>											
Net cash from / (used) in operating activities	197 456 566	6 193 390	203 649 956	-	-	203 649 956	211 990 105		-	104%	107%
Net cash from / (used) in investing activities	-316 591 631	59 835 910	-256 755 722	-	-	-256 755 722	-205 753 744		-	80%	65%
Net cash from / (used) in financing activities	121 484 456	-48 975 594	72 508 862	-	-	72 508 862	60 085 829		-	83%	49%
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2 349 390</b>	<b>17 053 706</b>	<b>19 403 097</b>	<b>-</b>	<b>-</b>	<b>19 403 097</b>	<b>66 322 190</b>		<b>-</b>	<b>342%</b>	<b>2823%</b>
Cash and cash equivalents at the beginning of the year	404 009 000	-397 888 353	6 120 647	-	-	6 120 647	6 120 647		-		
<b>Cash and cash equivalents at year end</b>	<b>406 358 391</b>	<b>-380 834 647</b>	<b>25 523 744</b>	<b>-</b>	<b>-</b>	<b>25 523 744</b>	<b>72 442 837</b>	<b>-</b>	<b>-</b>	<b>284%</b>	<b>18%</b>

APPENDIX B

APPROPRIATION STATEMENT AS AT 30 June 2020

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2019</b>											
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue</b>											
Property rates	117 328 893	3 431 043	120 759 936	-	-	120 759 936	123 140 774		2 380 838	102%	105%
Service charges	642 853 666	-3 763 280	639 090 386	-	-	639 090 386	639 133 910		43 524	100%	99%
Rental of facilities and equipment	5 268 184	600 880	5 869 064	-	-	5 869 064	5 654 886		-214 178	96%	107%
Interest earned - external investments	37 500 000	-4 332 415	33 167 585	-	-	33 167 585	42 700 038		9 532 453	129%	114%
Interest earned - outstanding debtors	1 878 998	86 502	1 965 500	-	-	1 965 500	2 065 754		100 254	105%	110%
Dividends received	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!
Fines, penalties and forfeits	4 939 240	10 965 412	15 904 652	-	-	15 904 652	16 706 276		801 624	105%	338%
Licences and permits	1 132 624	36 666	1 169 290	-	-	1 169 290	1 332 246		162 956	114%	118%
Agency services	6 000 000	-361 370	5 638 630	-	-	5 638 630	6 781 280		1 142 650	120%	113%
Transfers recognised - operational	118 511 628	17 545 292	136 056 920	-	-	136 056 920	119 576 706		-16 480 214	88%	101%
Other own revenue	24 536 105	5 966 889	30 502 994	-	-	30 502 994	33 531 107		3 028 113	110%	137%
Gains on disposal of PPE	879 432	834 424	1 713 856	-	-	1 713 856	2 859 557		1 145 701	167%	325%
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>960 828 770</b>	<b>31 010 043</b>	<b>991 838 813</b>	<b>-</b>	<b>-</b>	<b>991 838 813</b>	<b>993 482 535</b>		<b>1 643 722</b>	<b>100%</b>	<b>103%</b>
<b>Expenditure</b>											
Employee related costs	290 932 479	9 754 659	300 687 138	-	-	300 687 138	301 479 726		792 588	100%	104%
Remuneration of councillors	11 927 802	-444 462	11 483 340	-	-	11 483 340	11 483 339		-1	100%	96%
Debt impairment	18 721 500	15 148 700	33 870 200	-	-	33 870 200	13 900 164		-19 970 036	41%	74%
Depreciation & asset impairment	78 303 716	-599 280	77 704 436	-	-	77 704 436	79 482 219		1 777 783	102%	102%
Finance charges	4 992 476	4 865 175	9 857 651	-	-	9 857 651	5 324 476		-4 533 175	54%	107%
Bulk purchases	285 789 123	-1 955 342	283 833 781	-	-	283 833 781	292 284 876		8 451 095	103%	102%
Other materials	81 813 226	-9 104 322	72 708 904	-	-	72 708 904	66 635 601		-6 073 303	92%	81%
Contracted services	145 910 164	20 404 463	166 314 627	-	-	166 314 627	136 711 281		-29 603 346	82%	94%
Transfers and subsidies	5 815 722	496 728	6 312 450	-	-	6 312 450	6 085 011		-227 439	96%	105%
Other expenditure	57 431 944	2 173 596	59 605 540	-	-	59 605 540	57 525 390		-2 080 150	97%	100%
Loss on disposal of PPE	1 454 345	11 941 247	13 395 592	-	-	13 395 592	1 411 985		-11 983 607	11%	97%
<b>Total expenditure</b>	<b>983 092 497</b>	<b>52 681 162</b>	<b>1 035 773 659</b>	<b>-</b>	<b>-</b>	<b>1 035 773 659</b>	<b>972 324 068</b>	<b>-</b>	<b>-63 449 591</b>	<b>94%</b>	<b>99%</b>
<b>Operating Surplus/(Deficit)</b>	<b>-22 263 727</b>	<b>-21 671 119</b>	<b>-43 934 846</b>	<b>-</b>	<b>-</b>	<b>-43 934 846</b>	<b>21 158 466</b>	<b>-</b>	<b>65 093 312</b>	<b>-48%</b>	<b>-95%</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	52 970 798	18 798 994	71 769 792	-	-	71 769 792	46 859 346		-24 910 446	65%	88%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!
Transfers and subsidies - capital (in-kind - all)	1 023 900	29 712	1 053 612	-	-	1 053 612	20 530 617		19 477 005	1949%	2005%
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>31 730 971</b>	<b>-2 842 413</b>	<b>28 888 558</b>	<b>-</b>	<b>-</b>	<b>28 888 558</b>	<b>88 548 429</b>		<b>59 659 871</b>	<b>307%</b>	<b>279%</b>
Taxation	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!
<b>Surplus/(Deficit) for the year</b>	<b>31 730 971</b>	<b>-2 842 413</b>	<b>28 888 558</b>	<b>-</b>	<b>-</b>	<b>28 888 558</b>	<b>88 548 429</b>		<b>59 659 871</b>	<b>307%</b>	<b>279%</b>
<b>CAPITAL EXPENDITURE AND FUNDS SOURCES</b>											
Total capital expenditure	181 754 934	23 993 112	205 748 046	-	-	205 748 046	169 176 765		59 659 871	82%	93%
<b>CASH FLOWS</b>											
Net cash from / (used) in operating activities	154 793 849	15 297 051	170 090 900	-	-	170 090 900	193 866 452		-	114%	125%
Net cash from / (used) in investing activities	-186 355 706	-26 592 342	-212 948 048	-	-	-212 948 048	-143 003 896		-	67%	77%
Net cash from / (used) in financing activities	35 123 670	-14 506 459	20 617 211	-	-	20 617 211	-4 728 128		-	-23%	-13%
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>3 561 813</b>	<b>-25 801 750</b>	<b>-22 239 937</b>	<b>-</b>	<b>-</b>	<b>-22 239 937</b>	<b>46 134 428</b>	<b>-</b>	<b>-</b>	<b>-207%</b>	<b>1295%</b>
Cash and cash equivalents at the beginning of the year	358 908 254	67 340 683	426 248 937	-	-	426 248 937	14 349 526		-	-	-
<b>Cash and cash equivalents at year end</b>	<b>362 470 067</b>	<b>41 538 934</b>	<b>404 009 000</b>	<b>-</b>	<b>-</b>	<b>404 009 000</b>	<b>60 483 954</b>	<b>-</b>	<b>-</b>	<b>15%</b>	<b>17%</b>